CENTRAL BANK OF LIBERIA

ANNUAL REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2019

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CORPORATE INFORMATION

BOARD OF GOVERNORS

NON-EXECUTIVES	Doris Sheba Brown Richard A. Dorley - *(Appointed 09 July, 2019)* Jame B. Dennis - *(Appointed 09 July, 2019)* Timothy Thomas - *(Appointed 09 July 2019)* Elsie Dossen Badio - *(Tenure completed 2019)*
EXECUTIVES	J. Aloysius Tarlue Jr. - Executive Governor *(Appointed 08 December 2019)* Dr . Musa Dukuly - Deputy Governor for Economic Policy *(Appointed 01 July 2019)* Nyemadi D. Pearson - Acting Deputy Governor for Operations *(Appointed 01 July 2019)* Nathaniel R. Patray III - Executive Governor *(Retired 24 October 2019)* Charles E. Sirleaf - Deputy Governor for Operation *(Administrative Leave 01 April 2019)* Dr. Mounir Siaplay, Deputy Governor for Economic Policy *(Resigned 27 May 2019)*
AUDITORS	KPMG Chartered Accountants 13 Yiyiwa Drive, Abelenkpe P. O. Box GP 242 Accra, Ghana Parker & Company LLC Certified Public Accountants 81 Sekou Toure Avenue Mamba Point P. O. Box 1921 Monrovia, Liberia
SOLICITORS	Esther H. Barclay Counselor Central Bank of Liberia Post Office Box 2048 Ashmum & Lynch Streets Monrovia, Liberia International Group of Legal Advocates and Consultants 3rd Floor, 4 Clay Street, Crown Hill Monrovia, Liberia Brumskine and Associates Tubman Boulevard P. O. Box 1344 Monrovia, Liberia
REGISTERED OFFICE	Central Bank of Liberia Post Office Box 2048 Ashmum & Lynch Streets Monrovia, Liberia

CORPORATE GOVERNANCE

Introduction

The Central Bank of Liberia (CBL) is committed to the principles and implementation of good corporate governance. The Bank recognizes the valuable contribution that it makes to long-term business prosperity and to ensuring accountability to the Government of Liberia (GOL). The CBL believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of Governors and notes to the financial statements, the Bank has adopted internationally recognized standard accounting practices and has implemented rigorous internal controls to facilitate the reliability of the financial statements.

The Board of Governors

The Board is responsible for the formulation and implementation of policies and controlling and monitoring activities of the Bank's executive management. The Board consists of five (5) Governors, including, the Executive Governor who serves as Chairman of the Board and four (4) Non-Executive Governors. Members of the Board are appointed by the President of Liberia and confirmed by the Liberian senate. The Non-Executive Governors are independent of management and free from any constraints, which could materially interfere with the exercise of their independent judgment. They have the experience and knowledge of the industry, markets, financial and/or other business information to make valuable contributions to the Bank's progress. The Board is required to meet as often as is required, but not less frequently than once every three months.

The Audit Committee

The Audit Committee is made up of four (4) non-executive Governors, one of whom is a non-voting member. Committee members are independent of management and free of any relationships that could interfere with their independent judgments. The committee meets on a quarterly basis. Members of the audit committee elect the Chairman of the Audit Committee. The terms of reference of the Audit Committee is made available to members of management. The duties of the Audit Committee include; keeping under review the scope and results of the audit, as well as the independence and objectivity of the external auditor. The Audit Committee also keeps under review internal financial controls, risk management, and compliance with laws and regulations. The Audit Committee also reviews the adequacy of the audit program of the Internal Audit Section on an annual basis. Additionally, the Audit Committee reviews reports prepared by the Internal Audit Section in addition to the financial statements of the Central Bank.

Board Investment Committee

The Board Investment Committee is made up of three (3) members of the Board of Governors, including, Executive Governor. The purpose of the committee is to exercise appropriate oversight with respect to the prudent investment of the CBL's assets in accordance with the long – term objects of the Bank. In doing so, the committee's broad objectives are as follows: To provide oversight of the finance and investment functions of the CBL by establishing guidelines for the investment of the CBL assets, to determine or approve asset allocations to achieve the CBL's objectives, to assist the Board in evaluating investment transactions in which the CBL engages as part of its business strategy from time to time and take corrective action when it becomes apparent that objectives and guidelines are not being met and lastly to perform such other duties and responsibilities as are enumerated in and consistent with this charter or as delegated by the Board.

External Auditors

On December 21, 2016, the Board of Governors appointed KPMG Ghana together with Parker & Company LLC, to serve as its external auditors for the audit of the Central Bank of Liberia financial statements from 2016 to 2018. The Board of Governors reappointed KPMG Ghana and Parker & Company LLC, to be its external auditors for the audit of the Central Bank of Liberia financial statements for 2019.

REPORT OF THE BOARD OF GOVERNORS OF THE CENTRAL BANK OF LIBERIA (CBL)

The Governors present their report together with thefinancial statements of the Central Bank of Liberia ("the Bank") for the year ended December 31, 2019.

STATEMENT OF RESPONSIBILITY OF THE BOARD OF GOVERNORS

The Acts of Legislature establishing the Central Bank of Liberia (approved into law on March 18, 1999) and By-laws adopted on December 16, 1999 require the Governors to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Bank and the result of its operations for the financial period. In preparing the financial statements, the Board of Governors are required to:

- Select and consistently apply suitable accounting policies consistent with International Financial Reporting Standards (IFRS) and in a manner required by the CBL Act 1999;
- Make judgments and estimates that are reasonable and prudent;
- State whether the applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements;
- Ensure that the financial statements are prepared on a going-concern basis, unless it is inappropriate to presume that the Bank will continue to be in business;
- Ensure that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Central Bank of Liberia;
- Ensure that the financial statements comply with the reporting requirements of the Act of Legislature establishing the Bank, as well as the by-laws pertaining to its operation; and
- Put in place relevant mechanisms for safeguarding the assets of the Bank, accordingly, take reasonable steps for the prevention and detection of fraud and other irregularities, if any, in the normal course of business.

The statement above is made with the view of distinguishing for the benefit of all interested parties, the responsibilities of the Board of Governors and those of the External Auditor in relation to the financial statements of the Central Bank of Liberia.

NATURE OF BUSINESS/ FUNCTIONS

The Central Bank has functional independence, power and authority to:

- Issue legal tender banknotes and coins;
- Administer the currency laws and regulate the supply of money;
- Provide credit to bank-financial institutions on a discretionary basis;
- Act as fiscal agent for the Government;
- Administer the New Financial Institutions Act of 1999 and regulate banking activities;
- Regulate bank and non-bank financial institutions as well as non-bank financial services institutions;
- Hold and manage the foreign exchange reserves of Liberia;
- Advise the Government on financial and economic matters;
- Conduct foreign exchange operations; and
- Play an active role in collaboration with bank-financial institutions in the creation an maintenance of efficient and safe mechanisms for payments, clearing and settlements to meet the needs of the financial markets, commerce, government agencies and the public. The Central Bank executes this responsibility through implementation of proper regulations and standards, as needed.

REPORT OF THE BOARD OF GOVERNORS OF THE CENTRAL BANK OF LIBERIA (CBL) (CONT'D)

GOVERNORS INTEREST

The statement of responsibility of the Governors is set out on page 4. The Governors of the Bank do not have any interest in contracts entered into by the Bank.

FINANCIAL RESULTS

The financial results for the year are set out below:

	2019 L$'000	2018 L$'000
General reserves brought forward – January 1	(17,479,072)	(8,829,018)
Adjustment on initial application of IFRS 9	-	(2,630,074)
Operating losses attributed to shareholder	(8,072,468)	(6,019,980)
General reserves carried forward – December 31	(25,551,540)	(17,479,072)

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Central Bank of Liberia as identified in the first paragraph, were approved by the Board of Governors on September 29, 2020 and signed on their behalf by:

J. Aloysius Tarlue Jr.
Executive Governor

Doris Sheba Brown
Governor

PARKER
PARKER & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

KPMG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CENTRAL BANK OF LIBERIA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central Bank of Liberia ("the Bank"), which comprise the statement of financial position at December 31, 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 9- 80.

In our opinion, these financial statements give a true and fair view of the financial position of the Bank, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Central Bank of Liberia Act of 1999.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of financial statements in Liberia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Governors are responsible for the other information. The other information comprises the information included in the Corporate Governance and the Governors' Report and Corporate Information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Governors for the Financial Statements

The Governors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Central Bank of Liberia Act of 1999, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the financial statements, the Governors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Bank is liquidated through a legislative enactment.

The Governors are responsible for overseeing the Bank's financial reporting process.

PARKER
PARKER & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

CENTRAL BANK OF LIBERIA (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governors.

- Conclude on the appropriateness of the Governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

PARKER
PARKER & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

CENTRAL BANK OF LIBERIA (CONT'D)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Governors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Governors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

The engagement partners on the audit resulting in this independent auditor's report are P. Ernest Parker, Jr on behalf of Parker and Company, LLC and Frederick Nyan Dennis **(ICAG/P/1426)** on behalf of KMPG:

Parker & Company, LLC
....
PARKER AND COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS &
BUSINESS ADVISORS
P O BOX 1921, MAMBA POINT
MONROVIA
LIBERIA

29 September 2020

KPMG
....
KPMG: (ICAG/F/2020/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE:
P O BOX GP 242
ACCRA, GHANA

29 September 2020

Statement of comprehensive income

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

	Note	2019	2018
Interest income calculated using the effective interest method	7	1,809,951	2,247,210
Interest expense	7i	(292,969)	-
Net interest income		**1,516,982**	**2,247,210**
Fees and commissions	8	615,927	482,841
Other income	9	94,152	183,310
Operating income		**2,227,061**	**2,913,361**
Impairment loss on financial assets	10	(2,354,202)	(2,101,203)
Administrative expenses	11	(7,833,959)	(5,905,414)
Currency expense	12	(111,368)	(926,724)
Loss for the year		**(8,072,468)**	**(6,019,980)**
Other comprehensive income			
Items that will not be classified to profit or loss			
Remeasurement of pension plan	32	298,360	514,346
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences	34(c)	4,601,444	13,235,910
Total other comprehensive income for the year		4,899,804	13,750,256
Total comprehensive income		**(3,172,664)**	**7,730,276**

The notes on pages **13 - 80** are an integral part of these financial statements.

Statement of financial position

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

	Note	2019	2018
Assets			
Cash and balances with other central banks	13	20,725,409	14,015,500
Cash and balances with commercial banks	14	2,143,968	4,118,455
Loans and advances to operating banks	15	6,375,411	4,003,775
Loans and advances to non-banking financial institutions	16	298,087	128,527
Loans and advances to Government of Liberia	17	96,845,375	71,017,908
Investment securities	18	1,444,773	1,640,530
Deposits with International Monetary Fund	19	104,187,683	77,640,611
Staff loans	20	856,891	689,961
Other assets	21	1,028,053	714,359
Intangible assets	22	416,303	751,711
Property, machinery and equipment	23	6,801,251	5,837,281
Total assets		**241,123,204**	**180,558,618**
Liabilities			
Currency in circulation	25	21,123,761	19,311,984
Deposits from commercial banks and forex bureau	26	17,934,206	17,457,678
Deposits of Government of Liberia and agencies	27	22,646,511	15,688,919
Amounts due to International Monetary Fund	28	148,461,171	95,668,978
Other liabilities	29	9,386,978	10,789,039
Market Instrument	30	2,120,611	-
Provident fund obligation	31	961,772	628,139
Retirement benefit obligation	32	2,701,784	2,054,807
Total liabilities		**225,336,794**	**161,599,544**
Equity			
Share capital	33(a)	7,598,587	7,598,587
General reserves	33(b)	(25,551,540)	(17,479,072)
Translation reserve	33(c)	32,509,043	27,907,599
Other reserve	33(d)	1,230,320	931,960
Total equity		**15,786,410**	**18,959,074**
Total equity and liabilities		**241,123,204**	**180,558,618**

The financial statements were approved by the Board of Governors on September 29, 2020 and signed on its behalf by.

J. Aloysius Tarlue Jr.
Executive Governor

Doris Sheba Brown
Governor

The notes on pages 13 - 80 are an integral part of these financial statements.

Statement of changes in equity
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

	Share Capital	General Reserve	Other Reserve	Translation Reserve	Total
Balance at January 1, 2019	**7,598,587**	**(17,479,072)**	**931,960**	**27,907,599**	**18,959,074**
Total comprehensive income					
Loss for the year	-	(8,072,468)	-	-	(8,072,468)
Other comprehensive income					
Re-measurement of pension plan	-	-	298,360	-	298,360
Translation difference	-	-	-	4,601,444	4,601,444
Total comprehensive income for the year	**-**	**(8,072,468)**	**298,360**	**4,601,444**	**(3,172,664)**
Balance at December 31, 2019	**7,598,587**	**(25,551,540)**	**1,230,320**	**32,509,043**	**15,786,410**
Balance at December 31, 2017	**7,598,587**	**(8,829,018)**	**417,614**	**14,671,689**	**13,858,872**
Adjustment on initial application of IFRS 9	-	(2,630,074)	-	-	(2,630,074)
Balance at January 1, 2018-restated	7,598,587	(11,459,092)	417,614	14,671,689	11,228,798
Total Comprehensive income					
Loss for the year	-	(6,019,980)	-	-	(6,019,980)
Other comprehensive income					
Remeasurement of pension plan	-	-	514,346	-	514,346
Translation difference	-	-	-	13,235,910	13,235,910
Total comprehensive income for the year	-	(6,019,980)	514,346	13,235,910	7,730,276
Balance at December 31, 2018	**7,598,587**	**(17,479,072)**	**931,960**	**27,907,599**	**18,959,074**

The notes on pages 13 - 80 are an integral part of these financial statements.

Statement of cash flows

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

	Note	2019	2018
Cash flows from operating activities			
Loss for the year		(8,072,468)	(6,019,980)
Adjustments for:			
- Net impairment loss	10	2,354,202	2,101,203
- Interest income	7	(1,809,951)	(2,247,210)
- Interest expense	7i	292,969	-
- Assets written off	22,23	-	21,344
- Depreciation	23	415,319	500,916
- Amortization	22	475,463	534,402
- Profit on disposal of machinery and equipment	23(a)	-	(197)
		(6,344,466)	(5,109,522)
Changes in:			
- Staff loans	20	(160,356)	(323,002)
- Other assets	21	(313,694)	1,739,720
- Deposits with IMF	19	(26,543,128)	(12,991,831)
- Loans and advances to commercial banks	15	(2,448,125)	(1,578,770)
- Loans and advances to non-bank financial institutions	16	(58,958)	(154,704)
- Loans and advances to Government of Liberia	17	(26,021,311)	(33,984,227)
- Currency in circulation	25	1,811,777	3,384,059
- Deposits of commercial banks and forex bureau	26	476,528	1,865,228
- Deposits of Government of Liberia and agencies	27	6,957,592	6,936,703
- Amounts due to International Monetary Fund	28	52,792,193	21,786,087
- Other liabilities	29	(3,606,706)	6,505,990
- Provident fund obligation	31	333,633	213,842
- Retirement benefit obligations	32	646,977	351,173
- Market instruments	30	2,120,611	-
		(357,433)	(11,359,254)
Interest paid	7	(292,969)	-
Interest received	7	1,809,951	2,247,210
Net cash from/(used) in operating activities		1,159,549	(9,112,044)
Cash flows from investing activities			
Purchase of machinery and equipment	23	(196,804)	(208,598)
Purchase of intangible assets	22	-	(159,615)
Proceeds from sale of property, machinery and equipment	23	-	745
Purchase of investment securities		(1,011,304)	(1,640,434)
Proceeds from sale of investment securities		1,206,717	1,362,411
Net cash used in investing activities		(1,391)	(645,491)
Net increase/(decrease) in cash and cash equivalents		1,158,158	(9,757,535)
Cash and cash equivalents at January 1		18,133,955	22,898,481
Effect of exchange rate fluctuations on cash and cash equivalents held		3,577,264	4,993,009
Cash and cash equivalents at December 31	34	22,869,377	18,133,955

The notes on pages 13 - 80 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

1. General information

The Central Bank of Liberia (CBL) is the Central Bank of the Republic of Liberia and was incorporated under a March 18, 1999 Act of Legislature. The first Board of Governors and other officers of the Central Bank officially took office on October 20, 1999. The Central Bank of Liberia is the successor to the erstwhile National Bank of Liberia (NBL) and took over its functions, assets and liabilities. The address of its registered office is Central Bank of Liberia, P.O. Box 2048, Monrovia, Liberia. The principal activities of the Central Bank of Liberia are stated under note 1.5 below. The financial statements comprise the individual financial statements of the Central Bank as at and for the year ended 31 December 2019.

1.1 Share capital

The minimum authorized capital of the Central Bank is L$400 million. That amount may be increased by legislative amendment to the Act, when proposed to the National Legislature by the Board of Governors of the Central Bank. According to the provisions of the Act, the Central Bank is required to have a minimum paid-up capital of L$100 million.

1.2 Subscribed capital

The Government of Liberia (GOL) in October 1999 contributed to the share capital of CBL through the issuance of promissory notes of L$200 million (equivalent of US$ 5 million at the exchange rate ruling at the date of issue).

1.3 Paid-up capital

The consideration for the paid-up capital was the net book value of assets and liabilities taken over from the National Bank of Liberia (NBL) on the establishment of CBL. The net worth of the erstwhile NBL was L$7.3 billion (34(a)). The principal assets which underline the capital transfer of L$7.3 billion are two long-term loans denominated in Liberia dollars and United States dollars due from the Government of Liberia (GOL). The amounts are a result of transactions between the Government and the NBL prior to the formation of the CBL.

1.4 Ownership

In keeping with the relevant provisions of the Act, all paid-up capital shall be subscribed to and held exclusively by the GOL. No reduction of capital shall be effected except by amendment of the legislative Act which created CBL.

1.5 Functions of the Central Bank

The principal objectives of the Bank, as set out in the Act are:

- To issue legal tender banknotes and coins;
- To administer the currency laws and regulate the supply of money;
- Provide credit to bank-financial institutions on a discretionary basis.
- Act as fiscal agent for the Government; to administer the New Financial Institution Act (FIA) of 1999 and regulate banking activities;
- Regulate bank and non-bank financial institutions, as well as non-bank financial services institutions; to hold and manage the foreign exchange reserves of Liberia, including gold.
- Advise the Government on financial and economic matters; to conduct foreign exchange operations; and
- To play an active role in collaboration with bank-financial institutions in the creation and maintenance of efficient and safe mechanisms for payments, clearing and settlements to meet the needs of the financial markets, commerce, government agencies and the public.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

1. General information (continued)

1.6 Powers of the Central Bank

The powers of the Central Bank of Liberia include but are not limited to:

- Supervision of banks/financial institutions, non-bank financial institutions and authorized non-bank financial services;
- Formulation and implementation of monetary policies; handling of external banking affairs of the Government;
- Determination of an appropriate foreign exchange regime, formulation and implementation of foreign exchange policy, holding and managing foreign exchange reserves; and
- Management of aggregate credit in the economy by indirect means, by loan securitization, purchase and sale of securities, transactions in derivatives and foreign exchange, and through the establishment of required reserves of the commercial banks under its jurisdiction.

2. Basis of preparation

2.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Additional information required by the CBL Act, 1999 have been included where appropriate. This is the first set of the Bank's annual financial statements in which IFRS 16 Leases have been applied. Changes to significant accounting policies are described in Note 2.5.

2.2 Basis of presentation

The financial statements have been prepared under the historical cost convention except for retirement benefits obligations measured at the present value of the defined benefit obligation.

2.3 Functional and presentation currency

Both the Liberian Dollar (L$) and the United States Dollars (US$) are legal tender in Liberia and circulated freely in the country simultaneously. Although, transactions are consummated in both currencies, the majority of the Bank's transactions are currently denominated in United States Dollars (US$). Accordingly, the Central Bank considers the United States Dollars as its functional currency for the purpose of IFRS.

The financial statements are presented in Liberian Dollars (L$). This is in keeping with requirements of Part V Section 19 of the Central Bank of Liberia Act of 1999 which requires the use of the Liberian Dollar for all accounting, financial reporting and official purposes in Liberia. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.4 Use of judgement and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

2 Basis of preparation (continued)

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

– Note 3.2.7(e) – Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.
– Note 2.5(ii) – Lease term: whether the Bank is reasonably certain to exercise extension options.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2019 is included in the following notes.

– Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information. See Note 3.2.7(ii)
– Measurement of Retirement benefit obligations: key actuarial assumptions. See Note 32

2.5 Changes in accounting policy and disclosures

The Bank has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Bank's financial statements.

Leases

The Bank adopted IFRS 16 with a date of initial application of 1 January 2019 and applied the standard using the modified retrospective approach, under which the measurement option for right of use (RoU) assets was based on lease liabilities adjusted for prepayments and accrued payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. This approach had no cumulative effect of initial application recognised in retained earnings at 1 January 2019.

Accordingly, the comparative information presented for 31 December 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

2.5 Changes in accounting policy and disclosures (continued)

(i) Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Bank now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.14.

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(ii) As a lessee

As a lessee, the Bank leases some branch and office and residential premises. The Bank previously classified these leases as operating leases under IAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognises right of use assets and lease liabilities for leases of branch and office premises – i.e. these leases are on balance sheet.

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for leases of branches and office premises the Bank has elected not to separate non lease components and account for the lease and associated non lease components as a single lease component.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at 1 January 2019.

Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Bank has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of use assets are impaired.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

2 Basis of preparation (cont'd)

The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Bank:

•Applied the exemption not to recognise right of use assets and liabilities for leases for which the lease term ends within twelve months of the date of initial application; with less than 12 months of lease term.

•Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

•Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease

	1 January 2019
Right of use assets presented in property and equipment	12,103
Lease liabilities	9,009
Prepayments	3,080
Retained earnings	-

* For the impact of IFRS 16 on profit or loss for the period, see Note 24. For the details of accounting policies under IFRS 16 and IAS 17, See Note 3.14.

When measuring lease liabilities for leases that were classified as operating lease, the Bank discounted lease payments using its incremental borrowing rate at the inception of the lease at 1 January 2019. The weighted average rate applied is 5%.

	1 January 2019
Operating lease commitment as disclosed in the financial statements at 31 December 2018	1,889
Discounted using the incremental borrowing rate at 1 January 2019	1,238
Extension option reasonably certain to be exercised	7,771
Lease liabilities recognised at 1 January 2019	9,009

3. Significant accounting policies

3.1 Foreign currency transaction and balances

Foreign currency and Liberia dollar transactions are converted into the functional currency (US$) using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in currencies other than the functional currency, are translated into the functional currency at period end rates. Non-monetary assets and liabilities measured at cost are translated at transaction date rates. Foreign currency differences are generally recognised in profit or loss and presented in other income or administrative expenses depending on whether the net results in a gain or a loss.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

Translation from functional currency to presentational currency
The financial statements have been translated to the presentation currency (Liberian Dollar) as follows:

- Income and expenses for each statement of comprehensive income presented are translated from the functional currency to Liberian Dollar at annual average exchange rate; and
- Assets and liabilities for each statement of financial position presented are translated at the spot exchange rate at the reporting date.

All resulting exchange differences are recognised as a separate component of equity (translation reserve) in other comprehensive income. This reserve is non-distributable.

3.2 Financial assets and financial liabilities

3.2.1 Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

3.2.2 Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, Fair value through other comprehensive income (FVOCI) or Fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest on principal.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
  terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose a revision of the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision.

The right to reset the rates of the loans based on the revision in market rates is part of the contractually agreed terms on inception of the loan agreement; therefore, the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Amortised cost

Financial assets at amortised cost comprises cash and balances with central banks, cash and balances with commercial banks, loans and advances to operating banks, loans and advances to non-banking financial institutions, loans and advances to Government of Liberia, investment securities, deposits with International Monetary Fund, staff loans, other assets (account receivables).

They are initially recognized at fair value plus incremental direct transaction costs and are subsequently measured at amortized cost using the effective interest method less any impairment losses. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as ‘Interest income’.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

3.2.3 *Derecognition*

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

3.2.4 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3.2.5 *Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

3.2.6 *Fair value measurement*

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.
If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

3.2.7 *Impairment of financial assets*

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
– financial assets that are debt instruments;
– financial guarantee contracts issued; and

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
– debt investment securities that are determined to have low credit risk at the reporting date; and
– other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1 financial instruments’.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as ‘Stage 2 financial instruments’.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

– financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
– financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
– undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
– financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

– If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
– If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired (referred to as ‘Stage 3 financial assets’). A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or past due event;
– the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

– The market’s assessment of creditworthiness as reflected in the bond yields.
– The rating agencies’ assessments of creditworthiness.
– The country’s ability to access the capital markets for new debt issuance.
– The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
– The international support mechanisms in place to provide the necessary support as ‘lender of last resort’ to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent whether there is the capacity to fulfil the required criteria.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

Presentation of allowances for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally as a provision and
- where a financial instrument includes both a drawn and undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off.
This assessment is carried out at the individual assets level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in profit or loss. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

3.3 Interest

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.
The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation
Interest income calculated using the effective interest method presented in the statement of comprehensive income interest on financial assets measured at amortised cost

Interest expense on financial liabilities measured at amortised cost is presented in the statement of comprehensive income.

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitatlised.

3.4 Fees and commissions income and expense

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.5 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with other Central Bank and commercial banks and highly liquid financial assets with original maturities of three (3) months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.
Cash and bank balances are carried at amortised cost in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

3.6 Property, machinery and equipment

(a) Recognition and measurement

Property, machinery and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures directly attributable to the acquisition of the property, machinery and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, machinery or equipment have different useful lives, they are accounted for as separate items (major components) of property, machinery and equipment.

Subsequent costs are included in assets' carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are expensed during the financial period incurred.

(b) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Freehold Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	6 years
Building	50 years
Equipment	3 years
Elevators	25 years
Motor vehicles	4 to 5 years
Furniture and fixtures	5 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals of property, machinery and equipment are determined by comparing the net disposal proceeds with the carrying amount of the item and are recognized within other income in profit or loss.

3.7 Intangible assets

Intangible assets consist of Great Plains Accounting software, Bank master, Evercoss, IDEA software, Eview Statistical software payment and credit reference systems software and WIP and WIP-Document Management Software. Intangible assets acquired by the Bank have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. The cost of the software includes acquisition, installation and other major costs associated with preparing the software for use. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other expenditure is expensed as incurred.

These costs are amortized based on the expected useful lives of the software, estimated at 3 years, using the straight-line method.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

3.8 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset.

A previously recognized impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.9 Employees' benefits

a) Pension obligations

The Bank's obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods and discounting that amount. The scheme is unfunded, and accordingly no assets related to the Scheme are recorded.

The calculation of defined benefit obligations is performed annually by a Qualified Actuary using the projected unit credit method. Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses is recognised immediately in other comprehensive income.

The Bank determines the net interest expense (income) on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the defined benefit liability at the period end, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relate to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

NOTES TO THE FINANCIAL STATEMENTS
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3. Significant accounting policies (continued)

b) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions to a separate company and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

– Provident fund

The provident fund is a defined contribution plan under which the Bank pays fixed contributions into a separate entity. The Bank's obligations to the defined contribution scheme are reported in the Statement of Comprehensive Income in the year due. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Bank has a Provident Fund Scheme for all employees who have completed their probation period with the Bank. The Bank contribute 10% of their basic salary to the Fund. Obligations under the plan are limited to the relevant contributions which have been recognised in the financial statements.

– National Social Security & Welfare Corporation (NASSCORP)

Under the national pension scheme, the Bank contributes 6% of employees' basic salary to the National Social Security & Welfare Corporation for employee pensions. The Bank's obligation is limited to the relevant contributions, which have been recognised in the financial statements. The pension liabilities and obligations, however, rest with NASSCORP.

(c) Short-term Employment benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans, if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.10 Share capital

The Bank classifies capital and equity instruments in accordance with the contractual terms of the instrument.
Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects are recognised as a deduction from equity.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

3.11 Provisions

(a) General

Provisions, including any restructuring, redundancy and legal claims are recognized: when CBL has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small. Provisions are measured at the present value of the expenditures expected to be required to settle obligations using a rate that reflects a current market assessment of the time value of money and the risks specific to such obligation. The unwinding of the discount is recognized as finance cost.

(b) Leave pay accrual

Leave pay accrual at the reporting date represents the present obligation to employees as a result of employee's services provided up to the reporting date. The accrual is measured as the amount that is expected to be paid as a result of the leave entitlement that has accumulated at the reporting date.

3.12 Deferred currency cost

Costs related to printing currency are amortized when the notes are put into circulation using the weighted average method. Unissued Liberian Dollar notes at the reporting date are treated as inventory items at the cost of production. All other costs relating to the production of such notes are expensed in the period in which they are incurred.

3.13 Currency in circulation

Currency issued by CBL represents claims on the Central Bank in favor of the holder. The liability in respect of notes and coins in issue at the reporting date is stated at the nominal value of the currency. Liberian dollar notes held by CBL that are not in circulation are not liabilities or assets of the Bank

3.14 Leases

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and residential premises, the Bank has elected not to separate non lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Bank presents right of use assets in 'property, machinery and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

Short term leases and leases of low value assets

The Bank has elected not to recognise right of use assets and lease liabilities for leases of low value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Bank determined whether the arrangement was or contained a lease based on the assessment of whether:
– fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
– the arrangement had conveyed a right to use the asset.

As a lessee

The Bank did not have any finance leases under IAS 17.

Assets held under other leases were classified as operating leases and were not recognised in the Bank's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a Lessor

Where significant portions of the risks and rewards of ownership of leases are retained by the lessor, such leases are classified as operating leases.
Lease income from operating leases are recognized in other income on a straight-line basis over the period of the lease.

3.15 Leasehold improvements

This involves costs incurred in refurbishing various properties leased by CBL. Certain lease agreements specify options for renewal (capital leases). Lease agreements normally cover periods of 1-10 years. Costs associated with leases include initial rental repayments, cost of improvements, renovations, and other costs incurred in preparing the property for use. Leasehold improvements are amortized over the lives of the related or underlying leases.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

3.16 Allocation of net profits

Profits of CBL are stated according to Part X; Section 46 of the CBL Act of 1999, Subject to subsection (4), the net profit of the Central Bank in each year is reflected as follows:

(a) An allocation from net profit is made to the capital account of the Central Bank in such amount as shall be required to increase the authorized capital of the Central Bank to a level equivalent to at least five percent of the aggregate amount of monetary liabilities shown on the Statement of Financial Position of the Central Bank for the end of the fiscal year.

The aggregate amount of the monetary liabilities of the Central Bank shall be at any time the sum of;

(i) All outstanding banknotes, coins and debts securities issued by the Central Bank; and

(ii) The credit balances of all accounts maintained on the books of the Central Bank by account holders;

(b) An allocation from net profit is made to redeem the securities (now capital notes) issued by the Ministry of Finance to the CBL;

(c) An allocation from net profit shall be made to the General Reserve maintained by the Central Bank in such an amount as shall be required to increase the amount of the General Reserve to a level equivalent to the amount of the authorized capital of the Central Bank; the General Reserve may only be used to offset losses of the Central Bank;

(d) Any residual profit remaining after the allocations shall be allocated as follows:
- the preceding allocations from net profit shall be deemed to have been made entirely from net operating revenues, except that, if no operating revenues are included in net profit or after the proceeding allocations have exhausted net operating revenues included in net profit, such allocations shall be deemed to have been made from net unrealized valuation gains;
- Residual net operating revenues, if any, shall be distributed to the National Treasury within four months after the end of the financial year, and residual net realized valuation gains, if any, shall be allocated to a Valuation Reserve Account maintained on the Statement of Financial position of the Central bank.

3.17 Allocation of net losses

If the Central Bank incurs net losses for any financial year, the net losses shall be allocated as follows: If the net loss is comprised of net operating losses and net unrealized valuation losses, the amount of net operating losses shall be charged to the general reserve or to capital in that order, and the amount of net unrealized valuation losses shall be allocated to the valuation reserve account or, to the extent that the balance of the valuation reserve account would be negative as a result of such allocation, to the general reserve or to capital in that order; If the net loss is the operating revenue is greater than the net unrealized valuation losses, the net shall be to the valuation reserve account or, to the extent the balance of the valuation reserve account would be negative as a result of such allocation, to the general reserve or capital in that order, or if the net loss is the sum of the net operating loss less the smaller net unrealized valuation gains, the net loss shall be charged to the general reserve or capital in that order.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

3. Significant accounting policies (continued)

3.18 Contingent Liabilities

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

3.19 Financial guarantees and loan commitments

Financial guarantee contracts are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at below-market interest rates are initially recognized at fair value and amortized over the life of the guarantee or commitment. The liability is subsequently carried at the higher of the amortized amount and the present value of any expected payments to settle the liability, when payment becomes probable. Financial guarantees and commitments to provide a loan at below-market rates are included within other liabilities.

4. Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

4. Standard issued but not effective (cont'd)

Standard	Interpretation
Amendments to References to Conceptual Framework in IFRS Standards	The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by IASB in March 2018, includes: A new chapter on measurement; • Guidance on reporting financial performance; • Improved definitions of an asset and a liability, and guidance supporting these definitions; and • Clarifications in important areas, such as the role of stewardship, prudence and measurement uncertainty in financial reporting. The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. The amendments are effective from 1 January 2020 but may be applied earlier. The Bank does not intend to use the Framework as a reference for selecting its accounting policies in the absence of specific IFRS requirements and therefore does not expect this to impact the Bank significantly.
Definition of material (Amendments to IAS 1 and IAS 8)	The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments: “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier. The refinements are not intended to alter the concept of materiality and would, therefore, not have a significant impact on the Bank.

5. Financial risk management

The Central Bank’s activities are exposed to financial risks. The Central Bank’s aim is therefore to achieve an appropriate balance between risk and reward intended to minimize potential adverse effects on the Central Bank’s financial performance, considering its role in policy-oriented activities. The Central Bank’s risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The most important types of risks are credit risk, liquidity risk, and market risk. Market risks include foreign exchange risk and interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

5.1. Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk arises from loans and advances, cash and cash equivalents and deposits with banks and financial institutions, staff loans and other receivables. The Bank is also exposed to other credit risks arising from investment securities. Exposure to the risk of loss from credit arises principally in lending activities.

5.1.1. Credit risk measurement

Loans and advances

In measuring credit risk related to loans and advances to GOL and commercial banks at a counterparty level, the Bank considers the 'probability of default' by the GOL or counterparty on its contractual obligations. Exposure at default is based on the amount the Bank expects to be owed at the time of default.

Balance with central banks and operating banks

For banks and financial institutions, only reputable financial institutions are accepted based on the Bank's internal policy. The treasury department manages the credit risk exposure, by assessing the counterparties' performances.

Loan Extension and Availability Facility (LEAF)

For the Loan Extension and Availability Facility, only microfinance institutions, credit unions and village savings and loan associations were accepted based on the program requirements and the Microfinance unit manages the credit risk exposure, by on-site monitoring and participating in activities of the mentioned groups including periodic distribution of funds at share-out programs. This facility was suspended in 2016.

Investment securities

Investments are held with the Government of Liberia and Africa Export Import Bank. The treasury department manages the credit risk exposure by assessing the counterparties' performance.

Other assets

For accounts receivable, the Finance Department assesses the credit worthiness of potential customers, taking into account its financial position, past experience and other factors. The bank does not grade the credit quality of receivables.

5.1.2. Impairment and provisioning policy

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

5.1.3. Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to financial assets was as follows;

Table 5.1

	Group	2019	% of financial assets	2018	% of financial assets
Cash and balances with central banks	I	20,725,409	8.87	14,015,500	8.07
Cash and balances with commercial banks	I	2,143,968	0.92	4,118,455	2.37
Loans and advances to operating banks	I	4,435,842	1.90	4,003,775	2.31
Investment security	I	1,444,773	0.62	1,640,530	0.94
Due from IMF	I	104,187,683	44.58	77,640,611	44.71
Staff loans	I	752,298	0.32	671,255	0.39
Other assets	I	867,666	0.37	389,614	0.22
Loan and advances to GOL	I	93,671,529	40.08	68,172,062	39.26
Loans and advances to operating banks	II	1,939,569	0.84	-	-
Staff loans	II	69,473	0.03	18,706	0.01
Loan and advances to GOL	II	3,173,846	1.36	2,845,846	1.64
Loans and advances to NBFI	II	298,087	0.13	128,527	0.07
		233,710,143	**100**	**173,644,881**	**100**
Financial guarantee contracts	I	**33,009,000**		**15,756,000**	
At 31 December		**266,719,143**		**189,400,881**	

Category	2019	2018
Group I	263,177,737	186,407,802
Group II	3,541,406	2,993,079
Total	**266,719,143**	**189,400,881**

Group I
These are existing customers whose balances are neither past due nor impaired. Counterparties in this group include other central banks, commercial banks.

Group II
These are existing customers with some balances past due and individually impaired. This group is mainly composed of loans and advances to the Government of Liberia loans and advances to some Operating Banks, loans advances to Non-Bank financial institutions and some staff loans.

The above table 5.1 represents a worst-case scenario of credit risk exposure to the Bank at December 31, 2019 and December 31, 2018 without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on carrying amounts as reported in the Statement of financial position.

Management is confident in its ability to continue and to minimize the losses arising from its exposure to credit risk resulting from loans and advances to the GOL and amounts due from the non-bank financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

Analysis of credit quality

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	2019				2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to GOL								
Group I	98,905,388	-	-	98,905,388	73,947,181	3,151,128	-	77,098,309
Group II	-	-	5,388,354	5,388,354	-	-	-	-
Gross	98,905,388	-	5,388,354	104,293,742	73,947,181	3,151,128	-	77,098,309
Less: allowance for impairment	(5,233,859)	-	(2,214,508)	(7,448,367)	(5,775,119)	(305,282)	-	(6,080,401)
Carrying amount	**93,671,529**	**-**	**3,173,846**	**96,845,375**	**68,172,062**	**2,845,846**	**-**	**71,017,908**
Loans and advances to staff								
Group I	759,660	-	-	759,660	689,559	-	-	689,559
Group II	-	35,120	114,472	149,592	-	-	49,947	49,947
Gross	759,660	35,120	114,472	909,252	689,559	-	49,947	739,506
Less: allowance for impairment	(7,362)	-	(44,999)	(52,361)	(18,304)	-	(31,241)	(49,545)
Carrying amount	**752,298**	**35,120**	**69,473**	**856,891**	**671,255**	**-**	**18,706**	**689,961**
Balances with Central bank and commercial bank								
Group I	22,869,377	-	-	22,869,377	18,133,955	-	-	18,133,955
Group II	-	-	-	-	-	-	-	-
Gross	22,869,377	-	-	22,869,377	18,133,955	-	-	18,133,955
Less: allowance for impairment	-	-	-	-	-	-	-	-
Carrying amount	**22,869,377**	**-**	**-**	**22,869,377**	**18,133,955**	**-**	**-**	**18,133,955**
Loans and advances to operating banks								
Group I	4,552,359	-	-	4,552,359	4,099,536	-	-	4,099,536
Group II	-	1,884,790	129,750	2,014,540	-	-	-	-
Gross	4,552,359	1,884,790	129,750	6,566,899	4,099,536	-	-	4,099,536
Less: allowance for impairment	(116,517)	-	(74,971)	(191,488)	(95,761)	-	-	(95,761)
Carrying amount	**4,435,842**	**1,884,790**	**54,779**	**6,375,411**	**4,003,775**	**-**	**-**	**4,003,775**

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

	2019				2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to non-banking financial institutions								
Group I	-	-	-	-	-	-	-	-
Group II	-	-	677,470	677,470	-	-	540,272	540,272
Gross	-	-	677,470	677,470	-	-	540,272	540,272
Less: allowance for impairment	-	-	(379,383)	(379,383)	-	-	(411,745)	(411,745)
Carrying amount	**-**	**-**	**298,087**	**298,087**	**-**	**-**	**128,527**	**128,527**
Other assets								
Group I	867,666	-	-	867,666	389,614	-	-	389,614
Group II	-	-	-	-	-	-	-	-
Gross	867,666	-	-	867,666	389,614	-	-	389,614
Less: allowance for impairment	-	-	-	-	-	-	-	-
Carrying amount	**867,666**	**-**	**-**	**867,666**	**389,614**	**-**	**-**	**389,614**
Deposit with IMF								
Group I	104,200,787	-	-	104,200,787	77,654,938	-	-	77,654,938
Group II	-	-	-	-	-	-	-	-
Gross	104,200,787	-	-	104,200,787	77,654,938	-	-	77,654,938
Less: allowance for impairment	(13,104)	-	-	(13,104)	(14,327)	-	-	(14,327)
Carrying amount	**104,187,683**	**-**	**-**	**104,187,683**	**77,640,611**	**-**	**-**	**77,640,611**
Investment Securities								
Group I	1,445,142	-	-	1,445,142	1,640,548	-	-	1,640,548
Group II	-	-	-	-	-	-	-	-
Gross	1,445,142	-	-	1,445,142	1,640,548	-	-	1,640,548
Less: allowance for impairment	(369)	-	-	(369)	(18)	-	-	(18)
Carrying amount	**1,444,773**	**-**	**-**	**1,444,773**	**1,640,530**	**-**	**-**	**1,640,530**
Financial guarantee								
Group I	33,009,000	-	-	33,009,000	15,756,000	-	-	15,756,000
Group II	-	-	-	-	-	-	-	-
Gross	33,009,000	-	-	**33,009,000**	**15,756,000**	-	-	**15,756,000**
Loss allowance	2,230,597	-	-	2,230,597	2,923	-	-	2,923

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

5.1.4. Analysis of financial assets

The table below shows the gross balances of financial assets analysed by type and performance less impairment:

December 31,2019

	Loans and advances to GOL	Loans and advances to staff	Balances wih Central bank & Commercial banks	Loans and advances to operating banks	Loans and advances to non-banking financial institutions	Investment securities	Deposit with IMF	Other assets	Total
Neither past due nor impaired	98,905,388	759,660	22,869,377	4,552,359	-	1,445,142	104,200,787	867,666	233,600,379
Past due but not impaired	-	35,120	-	1,884,790	-	-	-	-	1,919,910
Individually Impaired	5,388,354.00	114,472	-	129,750	677,470	-	-	-	6,310,046
Gross	**104,293,742**	**909,252**	**22,869,377**	**6,566,899**	**677,470**	**1,445,142**	**104,200,7**	**867,666**	**241,830,3**
Less: allowance for impairment	(7,448,367)	(52,361)	-	(191,488)	(379,383)	(369)	(13,104)	-	(8,085,072)
Carrying value	**96,845,375**	**856,891**	**22,869,377**	**6,375,411**	**298,087**	**1,444,773**	**104,187,683**	**867,666**	**233,745,263**

December 31, 2018

	Loans and advances to GOL	Loans and advances to staff	Balances wih Central bank & Commercial banks	Loans and advances to operating banks	Loans and advances to non-banking financial institutions	Investment securities	Deposit with IMF	Other assets	Total
Neither past due nor impaired	73,947,181	689,559	18,133,955	4,099,536	-	1,640,548	77,654,938	389,614	176,555,331
Past due but not impaired	-	-	-	-	-	-	-	-	-
Individually impaired	3,151,128	49,947	-	-	540,272	-	-	-	3,741,347
Gross value	**77,098,309**	**739,506**	**18,133,955**	**4,099,536**	**540,272**	**1,640,548**	**77,654,938**	**389,614**	**180,296,678**
Less: allowance for impairment	(6,080,401)	(49,545)	-	(95,761)	(411,745)	(18)	(14,327)	-	(6,651,797)

Carrying value	**71,017,908**	**689,961**	**18,133,955**	**4,003,775**	**128,527**	**1,640,530**	**77,640,611**	**389,614**	**173,644,881**

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

(a) Assets individually impaired

The individually impaired assets before taking into consideration the cash flows from collateral held has been disclosed in the table below:

	2019	2018
Loan and advances to non-bank financial institutions	677,470	546,741
Loans and advances to staff	149,592	49,947
	827,062	**596,688**

(b) Collateral held and other credit enhancements, and their financial effect

The Bank holds collateral and other credit enhancements against certain types of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of exposure	Percentage of exposure that is subject to collateral requirement		Principal type of collateral held
	2019	2018	
Loan and advances to commercial banks	0.16%	0%	Treasury bills
Loan and advances to non-bank financial institutions	0%	0%	
Loan and advances to Government of Liberia	0%	0%	
Staff loans	100%	100%	Legal mortgage over residential property; charge over vehicle; provident fund

Collateral on impaired exposures

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is taking of security for funds advanced to operating banks in Liberia as well as funds advanced to individual staff of the bank. In the case of operating banks collateral is not normally held for loans and advances, except when securities are held as part of reverse repurchase and securities borrowing activity, such as demanding treasury bills as collateral for Emergency Liquidity Assistance (ELA). When funds are advanced to individual staff of the Central Bank of Liberia, the Bank uses the provident fund of the individual staff or legal mortgage over residential property, and or charge over vehicle as collateral. Collateral is not usually held against investment securities, loans and advances to Government of Liberia and loans and advances to non-bank financial institutions and no such collateral was held at 31 December 2019.

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The Central Bank of Liberia closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit impaired and the related collateral in order to mitigate potential losses are show below:

2019	**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Individually impaired				
Staff loans	114,472	44,999	69,473	50,107
Past due but not impaired	-	-	-	-
Staff loans	35,120	-	35,120	58,758
Loans and advances to operating banks	1,884,790	-	1,884,790	3,946,463
	2,034,382	**44,999**	**1,989,383**	**4,055,328**
2018				
Individually impaired				
Staff loans	46,403	29,025	17,378	2,673
Past due but not impaired				
Staff loans	3,544	2,217	1,327	20,837
	49,947	**31,242**	**18,705**	**23,510**

(c) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate payment will most likely continue.
The repayment of loans and advances to Government of Liberia was deferred during the year under review.

(d) Repossed collateral

No collateral was repossed by the bank in the year (2018: Nil).

(e) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank’s historical experience and expert credit assessment and including forward-looking information.
The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

– the remaining lifetime probability of default (PD) as at the reporting date; with
– the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

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The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

– quantitative test based on movement in PD;
– qualitative indicators; and
– a backstop of 30 days past due.

Generating the term structure of PD
The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly
The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant differs for different types of lending.
As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based the facility is past due by 30 days.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.
The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

– the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
– the criteria do not align with the point in time when an asset becomes 30 days past due;
– the average time between the identification of a significant increase in credit risk and default appears reasonable;
– exposures are not generally transferred directly from 12-month ECL measurement to credit- impaired; and
– there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2)

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Definition of default

The Bank considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:
- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 60% probability of occurring, a 25% probability to the worst case scenario and the best scenarios, assigned a 15% probability of occurring.
The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.
The key drivers for credit risk are: GDP growth, CPI and Public debts.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.
When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:
- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).
The Bank renegotiates loans to commercial and non-banking financial institutions in financial difficulties to maximise collection opportunities and minimise the risk of default.
Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

NOTES TO THE FINANCIAL STATEMENTS
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Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.
The methodology of estimating PDs is discussed above under the heading ‘Generating the term structure of PD’.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Amounts arising from expected credit losses (ECL)

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to Government of Liberia at amortised cost				
2019				
Balance at 1 January	5,775,119	305,282	-	6,080,401
Transfer to Stage 3	-	(305,282)	305,282	-
Net remeasurement of loss allowance	(1,637,870)	-	1,168,648	(469,222)
New financial assets originated	-	-	663,066	663,066
Translational difference	1,096,610	-	77,512	1,174,122
Balance at 31 December	**5,233,859**	**-**	**2,214,508**	**7,448,367**

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(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

	Stage 1	Stage 2	Stage 3	Total
Loans and advances to Government of Liberia at amortised cost				
2018				
Balance a 1 January	3,836,066	-	-	3,836,066
Transfer to Stage 2	(210,744)	210,744	-	-
Net remeasurement of loss allowance	1,884,390	94,538	-	1,978,928
New financial assets originated	265,407	-	-	265,407
Balance at 31 December	**5,775,119**	**305,282**	**-**	**6,080,401**

	Stage 1	Stage 2	Stage 3	Total
Loans and advances to operating banks at amortised cost				
2019				
Balance at 1 January	95,761	-	-	95,761
Transfer to Stage 3	(3,826)	-	3,826	-
Net remeasurement of loss allowance	6,792	-	69,697	76,489
Translational difference	17,790	-	1,448	19,238
Balance at 31 December	**116,517**	**-**	**74,971**	**191,488**
2018				
Balance at 1 January	242,800	-	-	242,800
Net remeasurement of loss allowance	(147,039)	-	-	(147,039)
Balance at 31 December	**95,761**	**-**	**-**	**95,761**

	Stage 1	Stage 2	Stage 3	Total
Loans and advances to non-banking financial institutions at amortised cost				
2019				
Balance at 1 January	-	-	411,745	411,745
Net remeasurement of loss allowance	-	-	(110,602)	(110,602)
Translational difference	-	-	78,240	78,240
Balance at 31 December	**-**	**-**	**379,383**	**379,383**
2018				
Balance at 1 January	-	-	411,745	411,745
Net remeasurement of loss allowance	-	-	-	-
Balance at 31 December	**-**	**-**	**411,745**	**411,745**

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	Stage 1	Stage 2	Stage 3	Total
Staff loans				
2019				
Balance at 1 January	18,304	-	31,241	49,545
Net remeasurement of loss allowance	(18,239)	-	7,658	(10,581)
New financial assets originated	4,515	-	-	4,515
De-recognition of financial asset	(508)	-	-	(508)
Translational difference	3,290	-	6,100	9,390
Balance at 31 December	**7,362**	**-**	**44,999**	**52,361**

	Stage 1	Stage 2	Stage 3	Total
Staff loans				
2018				
Balance at 1 January	13,038	-	36,959	49,997
Net remeasurement of loss allowance	926	-	(15,024)	(14,098)
New financial assets originated	4,340	-	9,306	13,646
Balance at 31 December	**18,304**	**-**	**31,241**	**49,545**

	Stage 1	Stage 2	Stage 3	Total
Deposit with International Monetary Fund				
2019				
Balance at 1 January	14,327	-	-	14,327
Net remeasurement of loss allowance	(3,944)	-	-	(3,944)
Translational difference	2,721	-	-	2,721
Balance at 31 December	**13,104**	**-**	**-**	**13,104**

	Stage 1	Stage 2	Stage 3	Total
Deposit with International Monetary Fund				
2018				
Balance at 1 January	11,060	-	-	11,060
Net remeasurement of loss allowance	3,267	-	-	3,267
Balance at 31 December	**14,327**	**-**	**-**	**14,327**

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	Stage 1	Stage 2	Stage 3	Total
Investment securities				
2019				
Balance at 1 January	18	-	-	18
Net remeasurement of loss allowance	344	-	-	344
Translational difference	7	-	-	7
Balance at 31 December	**369**	**-**	**-**	**369**

	Stage 1	Stage 2	Stage 3	Total
Investment securities				
2018				
Balance at 1 January	100	-	-	100
Net remeasurement of loss allowance	(72)	-	-	(72)
De-recognition of financial assets	(10)	-	-	(10)
Balance at 31 December	**18**	**-**	**-**	**18**

	Stage 1	Stage 2	Stage 3	Total
Letters of credit, undrawn commitments and guarantees				
2019				
Balance at 1 January	2,923	-	-	2,923
Net remeasurement of loss allowance	1,256,615	-	-	1,256,615
New financial assets originated	948,030	-	-	948,030
Translational difference	23,029	-	-	23,029
Balance at 31 December	**2,230,597**	**-**	**-**	**2,230,597**
2018				
Balance at 1 January	1,749	-	-	1,749
New financial assets originated	1,174	-	-	1,174
Balance at 31 December	**2,923**	**-**	**-**	**2,923**

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(iii) Amounts arising from expected credit losses (ECL) (continued)

The following table provides a reconciliation between:

- amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instruments; and
- the 'impairment losses on financial instruments' line item in the statement of comprehensive income.

2019	**Loans and advances to GOL at amortised cost**	**Loans and advances to operating banks at amortised cost**	**Loans and advances to non-banking financial institutions**	**Staff loans**	**Deposits with international Monetary Fund**	**Investment securities**	**Letters of credit, undrawn commitments and guarantees**	**Total**
Net remeasurement of loss allowance	(469,222)	76,489	(110,602)	(10,581)	(3,944)	344	1,256,615	739,099
New financial assets originated or purchased	663,066	-	-	4,515	-	-	948,030	1,615,611
Financial assets derecognised	-	-	-	(508)	-	-	-	(508)
Amounts recognised in profit or loss	**193,844**	**76,489**	**(110,602)**	**(6,574)**	**(3,944)**	**344**	**2,204,645**	**2,354,202**
2018								
Net remeasurement of loss allowance	1,978,928	-	-	(14,098)	3,267	(72)	-	1,968,025
New financial assets originated or purchased	265,407	(147,039)	-	13,646	-	-	1,174	133,188
Financial assets derecognised	-	-	-	-	-	(10)	-	(10)
Amounts recognised in profit or loss	**2,244,335**	**(147,039)**	**-**	**(452)**	**3,267**	**(82)**	**1,174**	**2,101,203**

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The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

	2019		
	Impact: increase/(decrease)		
	Stage 1	**Stage 2**	**Stage 3**
Loans and advances to Government of Liberia			
Increase in overdrawn balance of some Government of Liberia Liberian Dollar (LRD) account balance during the period. This resulted from the reconciliation of clearing suspense and other suspense accounts in the prior year.	28,389	-	-
Increase in overdrawn balance of some Government of Liberia United States Dollar (USD) account balance during the period. This resulted from the reconciliation of clearing suspense and other suspense accounts in the prior year.	23,316,525	-	-
Increase in the short-term bridge loan facility to the Government of Liberia totaling US$8,000,000.000	-	-	1,503,414
Staff loans			
Increase in long-term and vehicle loans to staff of the bank. This is to provide support individual staff in accordance with Section(52) of the Central Bank of Liberia Act 1999	553,064	-	-
Letters of credit and undrawn commitments and guarantee			
Increase in Government of Liberia financial guarantee to operating banks in the form of issuance of Government of Liberia bonds to settle Loan arrear to 7 operating banks.	14,217,000	-	-

No financial assets were written off during the year ended 31 December 2019.

5.2. Liquidity risk

Liquidity risk is the risk that the Central Bank is unable to, or will encounter difficulty, in meeting its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

5.2.1. Liquidity risk management process

- Preparing cash-based budgets and periodic variance reports to ensure management of future cash flows to meet payment demands when they fall due;
- Managing the concentration and profile of debt maturities;
- Monitoring the Statement of financial position, liquidity ratios against internal requirements; and
- Managing the concentration and profile of asset maturities.

Monitoring and reporting take the form of cash flow measurement and projection for the next day, week and months respectively, as these are key periods for liquidity management. The basis for the projection is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

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5.2.2. Financial liabilities and financial assets held for managing liquidity risk

The table below presents the Central Bank's financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are contractual undiscounted cash outflows, whereas the Central Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As at December 31, 2019

	Up to 3 months	3 -12 months	1 - 5 years	Over 5 years	Total
Assets					
Cash and balances with other central banks	20,725,409	-	-	-	20,725,409
Cash balances with commercial banks	2,143,968	-	-	-	2,143,968
Loans and advances to operating banks	3,603,754	-	1,463,025	1,308,632	6,375,411
Loans and advances to non-banking financial institutions	298,087	-	-	-	298,087
Loans and advances to Government of Liberia	25,488,847	-	-	71,356,528	96,845,375
Investment securities	-	1,444,773	-	-	1,444,773
Due from International Monetary Fund	-	-	104,187,683	-	104,187,683
Staff loans	111,566	3,138	742,187	-	856,891
Other assets	867,666	-	-	-	867,666
Total assets	**53,239,297**	**1,447,911**	**106,392,895**	**72,665,160**	**233,745,263**
Liabilities					
Currency in circulation	21,123,761	-	-	-	21,123,761
Deposits from commercial banks & forex bureau	17,934,206	-	-	-	17,934,206
Deposits of Government of Liberia and agencies	22,646,511	-	-	-	22,646,511
Due to International Monetary Fund	-	-	148,461,171	-	148,461,171
Market instruments	2,120,611	-	-	-	2,120,611
Lease liability	-	924	4,622	5,857	11,403
Other liabilities (excluding lease liabilities)	9,375,575	-	-	-	9,375,575
Guarantees and other commitments	-	-	4,698,170	28,417,880	33,116,050
Total	**73,200,664**	**924**	**153,163,963**	**28,423,737**	**254,789,288**
Liquidity Gap	**(19,961,367)**	**1,446,987**	**(46,771,068)**	**44,241,423**	**(21,044,025)**

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5.2.2 Financial liabilities and financial assets held for managing liquidity risk (continued)

As at December 31 2018

	Up to 3 months	3 -12 months	1 - 5 years	Over 5 years	Total
Assets					
Cash and balances with central banks	14,015,500	-	-	-	14,015,500
Cash balances with commercial banks	4,118,455	-	-	-	4,118,455
Loans and advances to operating banks	-	-	2,900,880	1,102,895	4,003,775
Loans and advances to non-banking financial institutions	128,527	-	-	-	128,527
Loans and advances to Government of Liberia	37,648,530	-	-	33,369,378	71,017,908
Investment securities	-	1,640,530	-	-	1,640,530
Due from International Monetary Fund	-	-	77,640,611	-	77,640,611
Staff loans	27,302	77,787	510,096	74,776	689,961
Other assets	389,614	-	-	-	389,61
Total assets	**56,327,928**	**1,718,317**	**81,051,587**	**34,547,049**	**173,644,881**
Liabilities					
Currency in circulation	19,311,984	-	-	-	19,311,984
Deposits from commercial banks & forex bureau	17,457,678	-	-	-	17,457,678
Deposits of Government of Liberia and agencies	15,688,919	-	-	-	15,688,919
Due to International Monetary Fund	-	-	95,668,978	-	95,668,978
Other liabilities	10,789,039	-	-	-	10,789,039
Total	**63,247,620**	**-**	**95,668,978**	**-**	**158,916,598**
Liquidity Gap	**(6,919,692)**	**1,718,317**	**(14,617,391)**	**34,547,049**	**14,728,283**

5.2.3. Assets held for managing liquidity risk

The Bank manages its liquidity risks through appropriate structuring of its investment portfolios to ensure that the maturity profiles of assets adequately match those commitments. This is monitored and managed on a daily basis. In addition, the Bank's investment portfolio comprises mainly highly liquid investment instruments. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with central banks and other operating banks;
- Loans and advances to operating banks, non-bank financial institutions and Government of Liberia;
- Investment securities;
- Amount due from IMF; and
- Staff loans and other assets.

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5.3. Market risk

Market risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.
The Central Bank's primary exposure to market risk lies with its deposits held overseas which are exposed to changes in U.S. dollars interest rate.

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimizing the return on risk. The Bank treasury is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

a) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Central Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on cash flows. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. Investment denominated in U.S. dollars and Liberian dollars attracts interests in U.S. dollars and Liberian dollars respectively.
The Central Bank has capacity to manage these risks by monitoring interest rates daily and ensuring within the limits of its policy function that its financial liabilities match the maturing profile of its financial assets.
The Bank uses gap analysis to measure its exposure to interest rate risk. Through this analysis, it compares the values of interest rate sensitive assets and interest rate sensitive liabilities that mature or re-price at various time periods in the future.

As at December 31, 2019

	Up to 1 year	1 - 5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with other central banks	13,380,394	-	-	7,345,015	20,725,409
Cash and balances with commercial banks	2,123,730	-	-	20,238	2,143,968
Loans and advances to operating banks	3,603,754	1,463,025	1,308,632	-	6,375,411
Loans and advances to non-banking financia institutions	-	-	-	298,087	298,087
Loans and advances to Government of Liberia	25,488,847	-	71,356,528	-	96,845,375
Investment security	1,444,773	-	-	-	1,444,773
Deposits with International Monetary Fund	-	-	37,041,737	67,145,946	104,187,683
Staff loans	114,704	742,187	-	-	856,891
Other assets	-	-	-	867,666	867,666
Total	**46,156,202**	**2,205,212**	**109,706,897**	**75,676,952**	**233,745,263**

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5.3 Market risk (continued)

a) Interest rate risk (continued)

	Up to 1 year	1 - 5 years	Over 5 years	Non-interest bearing	Total
Liabilities					
Currency in circulation	-	-	-	21,123,761	21,123,761
Deposit from commercial banks & forex bureau	-	-	-	17,934,206	17,934,206
Deposits of Government of Liberia and agencies	-	-	-	22,646,512	22,646,512
Due to International Monetary Fund	-	-	57,448,847	91,012,324	148,461,171
Market Instruments	2,120,611	-	-	-	2,120,611
Other liabilities	-	-	-	9,386,978	9,386,978
Total financial liabilities	**2,120,611**	**-**	**57,448,847**	**162,103,781**	**221,673,239**
Total interest rate repricing gap	**44,035,591**	**2,205,212**	**52,258,050**	**(86,426,829)**	**12,072,024**

As at December 31, 2018

	Up to 1 year	1 - 5 years	Over 5 years	Non-interest bearing	Total
Assets					
Cash and balances with other central banks	5,824,446	-	-	8,191,054	14,015,500
Cash and balances with commercial bank	4,118,455	-	-	-	4,118,455
Loans and advances to operating banks	-	4,003,775	-	-	4,003,775
Loans and advances to non-banking financial institutions	-	128,527	-	-	128,527
Loans and advances to Government of Liberia	3,979,352	-	40,367,072	26,671,484	71,017,908
Investment security	1,640,530	-	-	-	1,640,530
Deposits with International Monetary Fund	-	-	28,772,232	48,868,379	77,640,611
Staff loans	-	689,961	-	-	689,961
Other assets	-	-	-	389,614	389,614
Total financial assets	**15,562,783**	**4,822,263**	**69,139,304**	**84,120,531**	**173,644,881**
Liabilities					
Currency in circulation	-	-	-	19,311,984	19,311,984
Deposits from commercial banks & forex bureau	-	-	-	17,457,678	17,457,678
Deposits of Government of Liberia and agencies	-	-	-	15,688,919	15,688,919
Due to International Monetary Fund	-	-	39,306,870	56,362,108	95,668,978
Other liabilities	-	-	-	10,789,039	10,789,039
Total financial liabilities	**-**	**-**	**39,306,870**	**119,609,728**	**158,916,598**
Total interest rate repricing gap	**15,562,783**	**4,822,263**	**29,832,434**	**(35,489,197)**	**14,728,283**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

5.3 Market risk (continued)

b) Foreign exchange risk

The Central Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. It is exposed to fluctuations in the exchange rate between the Liberian Dollar, United States Dollars and the Euro. The table below summarizes the Central Bank's exposure to exchange rate risk at December 31, 2018. Also reflected is the carrying amount of the Central Bank's holdings, categorized by currency.

Concentration of currency risk on financial instruments

At December 31, 2019

	Liberian Dollar	SDR	EUR	Total
Assets				
Cash and balances with other central banks	102,352	-	-	102,352
Cash and balances with commercial banks	127,522	-	19,160	146,682
Loans and advances to non-banking financial institutions	298,087	-	-	298,087
Loans and advances to operating banks	507,872	-	-	507,872
Loans and advances to Government of Liberia	35,152,112	-	-	35,152,112
Investment securities	511,861	-	-	511,861
Deposit with International Monetary Fund	-	104,187,683	-	104,187,683
Other assets	501,839	-	-	501,839
Total financial assets	**37,201,645**	**104,187,683**	**19,160**	**141,408,488**
Liabilities				
Currency in circulation	21,123,761	-	-	21,123,761
Deposit from commercial banks and forex bureau	7,255,216	-	-	7,255,216
Deposits of Government of Liberia and agencies	15,712,065	-	-	15,712,065
Due to International Monetary Fund	-	148,461,172	-	148,461,172
Other liabilities	373,075	-	-	373,075
Market Instrument	2,119,606	-	-	2,119,606
Total financial liabilities	**46,583,723**	**148,461,172**	**-**	**195,044,895**
Net financial position	**(9,382,078)**	**(44,273,489)**	**19,160**	**(53,636,407)**

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

5.3 Market risk (continued)

b) Foreign exchange risk (continued)

Concentration of currency risk on financial instruments
At December 31, 2018

	Liberian Dollar	SDR	EUR	Total
Assets				
Cash and balances with other central banks	1,925,356	-	-	1,925,356
Cash and balances with commercial banks	268,821	-	-	268,821
Loans and advances to commercial banks	1,106,457	-	-	1,106,457
Loans and advances to Government of Liberia	6,103,534	-	-	6,103,534
Deposit with International Monetary Fund	-	77,640,611	-	77,640,611
Other assets	78,364	-	-	78,364
Total financial assts	**9,482,532**	**77,640,611**	**-**	**87,123,143**
Liabilities				
Currency in circulation	19,311,984	-	-	19,311,984
Deposit from commercial banks and forex bureau	6,599,839	-	-	6,599,839
Deposit of Government of Liberia and agencies	13,645,044	-	-	13,645,044
Due to International Monetary Fund	-	95,668,978	-	95,668,978
Total financial liabilities	**39,556,867**	**95,668,978**	**-**	**135,225,845**
Net financial position	**(30,074,335)**	**(18,028,367)**	**-**	**(48,102,702)**

The following significant exchange rates have been applied during the year and at the year end.

	Average			**Reporting**
	2019	**2018**	**2019**	**2018**
LRD$1	0.0054	0.0069	0.0053	0.0063
EURO1	1.1248	1.1454	1.1206	1.1576
SDR1	1.6743	1.1592	1.3828	1.1992

5.3.1. Foreign Exchange Sensitivity

The following table shows the effect of a strengthening or weakening of LRD$ against the currencies listed below on profit or loss and equity. This sensitivity analysis indicates the potential impact on profit or loss and equity based on foreign currency exposures recorded at 31 December. (See “currency risk” above).

It does not represent actual or future gains or losses.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

A strengthening/weakening of the LRD$ by the rates shown in the table against the following currencies at 31 December would have impacted equity and profit or loss by the amounts shown below:

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

As of 31 December	**2019**			**2018**		
in US$'000	% change	Profit or loss impact: Strengthening	Equity impact: Strengthening	% change	Profit or loss impact: Strengthening	Equity impact: Strengthening
LRD$	±12	748,455	748,455	±9	180,451	180,451
SDR	±3	1,110,223	1,110,223	±3	584,271	584,271
EUR	±1	184	184	±1	126	126

5.4. Fair value of financial assets and liabilities

(a) Financial instrument not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and financial liabilities not presented at their fair values as at December 31, 2019 and December 31, 2018 respectively:

	Carrying Value		**Fair Value**	
	2019	**2018**	**2019**	**2018**
Financial assets				
Cash and balances with other central banks	20,725,409	14,015,500	20,725,409	14,015,500
Cash and balances with commercial banks	2,143,968	4,118,455	2,143,968	4,118,455
Loans and advances to operating banks	6,375,411	4,003,775	5,488,516	1,914,816
Loan and advances to non-banking financial institutions	298,087	128,527	298,087	128,527
Loans and advances to Government of Liberia	96,845,375	71,017,908	51,887,187	54,597,875
Investment securities	1,444,773	1,640,530	1,444,773	1,640,530
Deposit with International Monetary Fund	104,187,683	77,640,611	104,187,683	77,640,611
Staff loans	856,891	689,961	856,891	689,961
Other assets	867,666	389,614	867,666	389,614
Total financial assets	**233,745,263**	**173,644,881**	**187,900,180**	**155,135,889**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

	Carrying Value		Fair Value	
	2019	**2018**	**2019**	**2018**
Financial liabilities				
Currency in circulation	21,123,761	19,311,984	21,123,761	19,311,984
Deposits from commercial banks and forex bureau	17,934,206	17,457,678	17,934,206	17,457,678
Deposits of Government of Liberia and agencies	22,646,511	15,688,920	22,646,511	15,688,920
Due to the International Monetary Fund	148,461,171	95,668,978	148,461,171	95,668,978
Market Instruments	2,120,611	-	2,120,611	-
Other liabilities	9,386,978	10,789,039	9,386,978	10,789,039
Total financial liabilities	**221,673,238**	**158,916,599**	**221,673,238**	**158,916,599**

Where applicable, the fair value of loans and advances to banks and GOL is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models such as discounted cash flow techniques which represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value

The fair value of deposits is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date**.**

(b) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (adjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

2019	Level 1	Level 2	Level 3
Financial assets			
Cash and balances with other central banks	-	20,725,409	-
Cash and balances with commercial banks	-	2,143,968	-
Loans and advances to operating bank	-	5,488,516	-
Loan and advances to non-banking financial institutions	-	298,087	-
Loans and advances to Government of Liberia	-	51,887,187	-
Investment securities	-	1,444,773	-
Due from International Monetary Fund	-	104,187,683	-
Staff loans	-	856,891	-
Other assets	-	867,666	-
	-	**187,900,180**	-
Financial liabilities			
Currency in circulation	-	21,123,761	-
Deposits from commercial banks and forex bureau	-	17,934,206	-
Deposits of Government of Liberia and agencies	-	22,646,511	-
Due to International Monetary Fund	-	148,461,171	-
Market instruments	-	2,120,611	-
Other liabilities	-	9,386,978	-
	-	**221,673,238**	-

2018	Level 1	Level 2	Level 3
Financial assets			
Cash and balances with other central banks	-	14,015,500	-
Cash and balances with commercial banks	-	4,118,455	-
Loans and advances to operating bank	-	1,914,816	-
Loan and advances to non-banking financial institutions	-	128,527	-
Loans and advances to Government of Liberia	-	54,597,875	-
Investment securities	-	1,640,530	-
Due from International Monetary Fund	-	77,640,611	-
Staff loans	-	689,961	-
Other assets	-	389,614	-
	-	**155,135,889**	-
Financial liabilities			
Currency in circulation	-	19,311,984	-
Deposits from commercial banks and forex bureau	-	17,457,678	-
Deposits of Government of Liberia and agencies	-	15,688,920	-
Due to International Monetary Fund	-	95,668,978	-
Other liabilities	-	10,789,039	-
	-	**158,916,599**	-

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

5.5. Capital management

The Bank does not have any regulator that sets and monitor its capital requirements. The Capital requirements of the Bank is governed by the capital requirement of the Central Bank of Liberia Act of 1999. The Bank considers its stated capital and other reserves as its capital. The Central Bank's objective in managing capital and reserves is to ensure the Central Bank's ability to continue to perform its functions as set by the Central Bank of Liberia Act of 1999.
The minimum authorised capital requirement of the Central Bank of Liberia Act of 1999 in accordance with Section 7(1) shall be LR$400,000,000 and may be increased by such amounts that may be proposed by the Board of Governors.

6. Classification of financial assets and liabilities

– The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Note	Amortised cost	Total carrying amount
31 December 2019			
Cash and balances with Central banks	13	20,725,409	20,725,409
Cash balances with Commercial banks	14	2,143,968	2,143,968
Loans and advances to operating banks	15	6,375,411	6,375,411
Loan and advances to non-banking financial institutions	16	298,087	298,087
Loans and advances to Government of Liberia	17	96,845,375	96,845,375
Investment securities	18	1,444,773	1,444,773
Deposit with IMF	19	104,187,683	104,187,683
Staff loans	20	856,891	856,891
Other assets	21	867,666	867,666
Total financial assets		**233,745,263**	**233,745,263**
Currency in circulation	25	21,123,761	21,123,761
Deposit from commercial banks and forex bureau	26	17,934,206	17,934,206
Deposits of GOL and agencies	27	22,646,511	22,646,511
Due to IMF	28	148,461,171	148,461,171
Other liabilities	29	9,386,978	9,386,978
Market instruments	30	2,120,611	2,120,611
Total financial liabilities		**221,673,238**	**221,673,238**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

	Note	Amortised cost	Total carrying amount
31 December 2018			
Cash and balances with Central banks	13	14,015,500	14,015,500
Cash balances with Commercial banks	14	4,118,455	4,118,455
Loans, advances and overdraft to bank	15	4,003,775	4,003,775
Loan and advances to non-banking financial institutions	16	128,527	128,527
Loans and advances to Government of Liberia	17	71,017,908	71,017,908
Investment securities	18	1,640,530	1,640,530
Deposit with IMF	19	77,640,611	77,640,611
Staff loans	20	689,961	689,961
Other assets	21	389,614	389,614
Total financial assets		**173,644,881**	**173,644,881**
Currency in circulation	25	19,311,984	19,311,984
Deposit from commercial banks and forex bureau	26	17,457,678	17,457,678
Deposits of GOL and agencies	27	15,688,920	15,688,920
Due to IMF	28	95,668,978	95,668,978
Other liabilities	29	10,789,039	10,789,039
Total financial liabilities		**158,916,599**	**158,916,599**

7. Interest income using the effective interest method

	2019	2018
GOL loans and advances	1,460,970	1,665,404
Investment securities	254,727	208,824
Placement and staff loans	94,254	372,982
	1,809,951	2,247,210

7i. Interest expense

SDF interest expense banks	2,283	-
Interest expense related to CBL bills	290,686	-
	292,969	-

8. Fees and commissions

Service fees and commissions	609,025	478,014
Note transfer fees	6,902	4,827
	615,927	482,841

9. Other income

Rental income	1,593	2,897
Fines	5,433	9,435
Rural banking check encashment	55,809	43,257
Spot charges on notes advanced	19,971	34,396
Other miscellaneous income	11,346	93,127
Gain on disposal of PPE	-	198
	94,152	183,310

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

10. Impairment loss on financial assets	**2019**	**2018**
Impairment charge	2,354,202	2,101,203

11. Administrative expenses

Staff costs (i)	3,234,289	2,503,858
Board fees and expenses (ii)	309,835	50,541
Depreciation/amortization	899,366	1,035,203
Other administrative expenses (iii)	2,738,712	1,959,140
CBL contribution to regional bodies	651,757	356,672
	7,833,959	5,905,414

(i) Staff costs

Salaries and wages	2,275,593	1,547,888
Social security contributions	102,729	38,409
Other personnel costs	247,341	408,684
Day one loss on fair valuation of staff loan	37,607	35,728
Pension cost:		
- Current service cost	439,408	377,364
- Interest cost	131,611	95,785
	3,234,289	2,503,858

(ii) Board fees and expenses

Board fees	278,161	37,698
Board expenses	31,674	12,843
	309,835	50,541

The number persons employed by the Bank at the end of year was 393 (2018: 403).

(iii) Other administrative expenses

Vehicle fuel, insurance and maintenance	102,296	93,799
Property cost/occupancy	392,569	375,704
Office expenses	113,326	321,120
Professional services	439,239	340,761
Security and cleaning services	140,300	65,470
Travel expenses	231,766	188,691
Software, internet & network costs	451,414	379,648
Bank charges	643	3,841
Audit fees	13,609	24,252
Port and clearing charges	6,938	11,086
Vehicle scheme expense	70,576	43,545
Other miscellaneous	719,777	61,207
Interest expense on lease liability	640	-
Subscription and public relation	55,619	50,016
	2,738,712	1,959,140

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

12. Currency expense	2019	2018
Notes importation	64,265	257,904
Mute exportation	4,028	14,448
Cost of destroying bank notes	-	26,348
Amortization of currency printing cost - bank notes	43,075	628,024
	111,368	926,724

13. Cash and balances with other central banks

Cash on hand and in vault	4,649,101	8,163,568
Cash balances at rural banks	3,888	27,550
Balances with other central banks	13,427,599	5,824,382
Cash in transit	2,644,821	-
	20,725,409	14,015,500

14. Cash and balances with commercial banks

Balances with local banks	128,822	124,588
Balances with foreign banks (commercial)	2,015,146	3,993,867
	2,143,968	4,118,455

15. Loans and advances to operating banks

	Years of Maturity	2019 Carrying amount	2018 Carrying amount
LIBA loans (a)	2020	508,697	434,048
Mortgage loans (b)	2024	1,541,757	1,326,320
RPAL (c)	2019	136,552	136,552
Agric loans (d)	2026	1,308,632	1,218,175
Emergency Liquidity Assistance (e)		1,884,790	-
Special deposit (f)		622,690	511,772
Repo transaction (e)		563,781	472,669
		6,566,899	4,099,536
Impairment allowance		(191,488)	(95,761)
		6,375,411	4,003,775

(a) Liberia Business Association Loan (LIBA LOAN)

The Central Bank of Liberia (CBL) made a placement with Ecobank Liberia Limited, International Bank Liberia Limited, and First International Bank Liberia Limited on behalf of the Liberia Business Association named and styled LIBA LOANS on January 10, 2013 with a face value of US$4,000,000 and L$72,500,000.00 and at a fixed interest rate of 2%. The loan was originally expected to mature in 2020. The loan has a grace period of six months and interest on this loan is paid on a quarterly basis with an automatic debit to each bank's current account at the end of the quarter. Due to the Ebola epidemic in the country, CBL issued policy No. 5 extending the duration of the loan by two (2) years which indicates that the loan will mature in 2020. In 2014, Ecobank returned US$600,000 and L$ 7,842,625. CBL then extended US$600,000 to the Liberia Bank for Development and Investment (LBDI) under the same LIBA program.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

(b) Mortgage Loan

The Central Bank of Liberia (CBL) made a placement with the Liberia Bank for Development & Investment (LBDI) named and styled MORTGAGE LOAN on November 13, 2012 with a face value of US$7,000,000.00 and L$217,500,000.00 and at a fixed interest rate of 3%. The loan was originally set to mature in 2022. The loan has a grace period of six months and interest on this loan is paid on a quarterly basis with an automatic debit to LBDI Current account at the end of each quarter. Due to the Ebola epidemic in the country, CBL issued policy No. 5 extending the duration of the loan by two (2) years which indicates that the loan will mature in 2024 and reducing the interest chargeable on the loan by 1% .

(c) RPAL Loan

The Central Bank of Liberia (CBL) made a L$129,750,000 placement on 18 June 2014 with the Liberia Bank for Development and Investment (LBDI) to enable the Central Bank provides medium-term loans to members of the Rubber Planters Association of Liberia (RPAL). Interest was to begin accruing on the loan at 3% after the first 6 months of the loan's tenure. Accrued interest and the loan principal are payable at maturity. Due to the Ebola epidemic in the country, CBL issued policy No. 5 extending the duration of the loan by two (2) years and reducing the interest rate to 2%.

(d) Agriculture Loan

The Central Bank of Liberia (CBL) made a placement with the Afriland First Bank Liberia Limited (AFBLL) named AGRILCUTURE LOAN on December 13, 2012 with a face value of US$5,000,000 and L$181,250,000 and a fixed interest rate of 2.5% at variable maturity dates. The loan will finally mature in 2026. The loan has a variable gestation period. Interest on the loan and the loan principal was originally expected to be paid annually during the cash out period for each crop with an automatic debit to Afriland's current account. Due to the Ebola epidemic in the country, CBL issued policy No. 5 extending the duration of the loan by two (2) years and providing for all interest and principal repayment to be made at maturity.

(e) Emergency Liquidity Support (ELA)

On the basis of Section 32(2) of the CBL Act and Regulation Concerning Emergency Liquidity Assistance (ELA), the Central Bank of Liberia (CBL) advanced funds to Liberia Bank for Development and Investment on December 6, 2019 with face value of US$9,000,000. The Liberian Bank for Development pledged a US$21,000,000 Government of Liberian bond as security for the amount requested. As at December 31, 2019, the gross amount of the amount advanced stood at US$10,029,381.

(f) Special deposit

The Central Bank of Liberia made a placement with the Liberian Bank for Development (LBDI) named special deposit on September 02, 2010 with a face value of US$2,751,000 and a fixed interest rate of 2% per annum payable on demand.

(e) Repo transaction

The Central Bank of Liberia granted a short-term loan facility to LBDI in a repo transaction using the LBDI treasury bonds denominated in Liberian Dollars as pledged securities. The facility was granted at an interest rate of 4% per annum and was originally for sixty days.

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(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

16. Loans and advances to non-bank financial institutions

	2019	2018
Loan Extension and Availability Facility (LEAF)	677,470	546,741
Allowance for impairment	(379,383)	(411,745)
Repayment	-	(6,469)
	298,087	128,527

17. Loans and advances to Government of Liberia (GOL)

Loan		Currency	Year of Maturity	2019	2018
GOL long term loan (a)		L$	2037	817,534	829,056
GOL long term loan (b)		US$	2037	39,380,542	32,540,322
Due to IMF	(c)	SDR		29,983,755	13,906,319
GOL Short term loan (d)		US$		5,261,950	3,151,128
Other receivables (e)				28,849,961	26,671,484
				104,293,742	77,098,309
Impairment allowance				(7,448,367)	(6,080,401)
				96,845,375	71,017,908

a. This represents US$ loan owed by Government of Liberia which is to be paid in 30 years inclusive of 10 years grace period. Repayment of the loan is to be done in eighty (80) equal quarterly payments of 3,074,081 beginning September 2017. The annual interest is a stepped interest ranging from 1% - 2.5%.

b. This represents LRD$ loan owed by Government of Liberia which is to be paid in 30 years inclusive of 10 years grace period. Repayment of the loan is to be done in eighty (80) equal quarterly instalments of LR$11,522,577 beginning September 2017. The annual interest is stepped interest ranging from 2% - 5%.

The GOL long term loans referenced (a) and (b) above were mainly taken over from the National Bank of Liberia pursuant to the establishment of CBL in 2000. The terms of these loans were renegotiated with the GOL and agreed in July 2007. The terms included extension of the repayment periods, reductions in interest rates and capitalization of accrued and deferred interest to the date of the agreement.

c. On 18 March 2013 an MOU was signed between the Ministry of Finance of the Republic of Liberia and theCentral Bank of Liberia (CBL), for CBL to hold all Liberia's balances with the IMF in its books. On inception there was a shortfall of assets and liabilities of SDR16million which was recognised as a long-term receivable from the GOL to be paid on a future date agreed by MOF and GOL. On 10 October 2014 an extended credit facility received from the IMF of SDR32,300, 000 was advanced to GOL for budgetary support, this amount was offset by a grant assistance of SDR25,400,000 by the IMF under the catastrophe containment (CC) window in accordance with section III, paragraphs 1 and 3(A) of the CCR trust.

In December 2016, out of the ECF loan of SDR27.69million given to CBL, SDR12.9million was advanced to the Government of Liberia as budgetary support resulting in the total amount due from GOL of SDR35,360,000. The amount in the financial statement represents the L$ equivalent.

d. This represents short-term loans given to the Government of Liberia. The loans are at 2% interest rates.

e. This represents the amount debited to Government of Liberia from the reconciliation of the bank's Clearing Settlement and Clearing Suspense accounts as well as all other receivables from the Government of Liberia. This amount has crystallised and will consolidated with other balances due from Government of Liberia on 1 January 2020.

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18. Investment securities

	2019	2018
Investment in GOL treasury bills	511,400	96
Other investment securities*	933,373	1,640,434
	1,444,773	1,640,530

*This represents fixed deposits held with Africa Export Import Export Bank.

19. Deposits with International Monetary Fund (IMF)

IMF quota subscription	67,150,619	48,822,055
Special drawing right holdings	37,041,737	28,824,422
Accrued remuneration	8,431	8,461
	104,200,787	77,654,938
Impairment allowance	(13,104)	(14,327)
	104,187,683	77,640,611

Liberia's Membership with IMF

Article XIII, Sections 2a and 3 in the Articles of Agreement of the IMF requires each member to designate its Central Bank as a depository for all the Fund's holdings and currency and guarantee all assets of the Fund against loss resulting from failure or default on the part of its designated depository. With reference to the guidelines of the Financial Organizational and Operations manual of the IMF, Central Bank of Liberia uses the gross method of presenting the assets and liabilities arising from the GOL's membership in the statement of financial position. The IMF recommends the use of the gross method for a country whose depository and fiscal agents are the same. The position in the General Department is presented on a gross basis if the IMF No.1, No.2, and Securities Accounts are shown as liabilities and the member's quota is shown as an asset. Additionally, on March 18, 2013 a memorandum of understanding between the Ministry of Finance of the Republic of Liberia and the Central Bank of Liberia regarding respective roles and responsibilities in connection with transactions with the International Monetary Fund was signed.

Central Bank of Liberia is the fiscal and depository agent of Liberia for transactions with the International Monetary Fund. Financial resources made available to Liberia by the Fund are channelled through CBL to the Government. CBL has a claim on the GOL matching liabilities to the Fund. Similarly, CBL has a liability to the Government of Liberia matching the assets, the quota subscription, held in the Fund. As of close of business on March 14, 2008, the IMF confirmed the completion of Liberia's clearance of its arrears, payment of quota increases and related Fund financing transactions and the granting of new facilities. All applicable entries were recorded in the IMF's accounts held at Central Bank of Liberia.

IMF Quota Subscription

Quota subscriptions are a central component of the IMF's financial resources. Each member country of the IMF is assigned a quota, based broadly on its relative position in the world economy. A member country's quota determines its maximum financial commitment to the IMF, its voting power, and has a bearing on its access to IMF financing. In 2017, Liberia's Quota was SDR 258.4 million.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

19. Deposits with International Monetary Fund (continued)

Special drawing rights holdings and allocation

SDR's are interest-bearing assets allocated by the IMF to each participant in the Special Drawing Rights Department to meet various global operating needs of the Fund as and when they arise, as a supplement to the Fund's existing reserves. SDR's are allocated by the IMF to members participating in the SDR department in proportion to their quotas to the Fund at the time of allocation.

20. Staff loans

	2019	**2018**
Gross amount	909,252	739,506
Impairment	(52,361)	(49,545)
	856,891	689,961

Staff of the Bank of Liberia are entitled to loans at 3% and 4% as compared to the market rate of 13.28% as at the reporting date.

21. Other assets

	2019	**2018**
Accounts receivable (i)	867,666	389,614
Prepaid expenses (ii)	24,190	174,077
Deferred currency cost (iii)	136,197	150,668
	1,028,053	714,359

(i) Accounts receivable

Due from others	352,562	19,449
Other receivable	515,104	370,165
	867,666	389,614

(ii) Prepaid expenses

Rent	-	2,836
Insurance	24,190	1,129
Fixed asset in transit	-	114,079
Others	-	56,033
	24,190	174,077

(iii) Deferred currency cost

At January 1	150,668	252,406
Addition	-	475,800
Amortization charge (note 12)	(43,075)	(628,024)
Translation difference	28,604	50,486
At December 31	136,197	150,668

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

22. Intangible assets

2019	**IDEA Software**	**Vregcoss Software**	**eView Econometrics Stats-Software**	**SP Monitor**	**Bank Master**	**Financial Accounting Software**	**Payment System**	**Credit Reference**	**WIP**	**Total**
Cost										
Balance at January 1	2,377	517,294	1,851	1,789	91,344	32,211	887,328	152,497	2,165	1,688,856
Translation difference	1,183	257,623	921	890	45,491	16,041	171,041	29,395	419	523,004
Balance at December 31	**3,560**	**774,917**	**2,772**	**2,679**	**136,835**	**48,252**	**1,058,369**	**181,892**	**2,584**	**2,211,860**
Accumulated amortization										
Balance at January 1	2,570	595,544	1,549	1,248	114,722	40,454	295,776	50,832	-	1,102,695
Amortization charge	489	63,925	915	884	-	-	349,231	60,019	-	475,463
Translation difference	501	115,448	308	249	22,113	7,798	60,572	10,410	-	217,399
Balance at December 31	**3,560**	**774,917**	**2,772**	**2,381**	**136,835**	**48,252**	**705,579**	**121,261**	**-**	**1,795,557**
Net book value at December 31	**-**	**-**	**-**	**298**	**-**	**-**	**352,790**	**60,631**	**2,584**	**416,303**
2018										
Cost										
Balance at January 1	2,377	517,294	1,851	1,789	91,344	32,211	-	-	725,659	1,372,525
Additions	-	-	-	-	-	-	-	-	159,615	159,615
Reclassification	-	-	-	-	-	-	887,328	152,497	(1,039,825)	-
Disposal	-	-	-	-	-	-	-	-	(19,560)	(19,560)
Write off	-	-	-	-	-	-	-	-	(20,544)	(20,544)
Translation difference	608	132,391	473	457	23,378	8,243	-	-	196,820	362,370
Balance at December 31	**2,985**	**649,685**	**2,324**	**2,246**	**114,722**	**40,454**	**887,328**	**152,497**	**2,165**	**1,854,406**
Accumulated amortization										
Balance at January 1	1,188	287,385	565	349	91,344	32,211	-	-	-	413,042
Amortization charge	986	214,704	768	742	-	-	270,682	46,520	-	534,402
Translation difference	396	93,455	216	157	23,378	8,243	25,094	4,312	-	155,251
Balance at December 31	**2,570**	**595,544**	**1,549**	**1,248**	**114,722**	**40,454**	**295,776**	**50,832**	**-**	**1,102,695**
Net book value at December 31	**415**	**54,141**	**775**	**998**	**-**	**-**	**591,552**	**101,665**	**2,165**	**751,711**

There was no impairment identified at December 31, 2019 (December 31, 2018: NIL).

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

23. Property, machinery and equipment

2019	Land	Building	Leasehold	Furniture Fixtures	Equipment	Motor Vehicle	Total
Cost							
Balance at January 1	63,814	4,571,217	126,523	123,121	1,770,292	194,597	6,849,564
Effect of initial application of IFRS 16	-	12,103	-	-	-	-	12,103
Adjusted balance at January 1	63,814	4,583,320	126,523	123,121	1,770,292	194,597	6,861,667
Additions	-	9,534	-	19,016	149,614	18,640	196,804
Write off	-	-	-	-	-	(19,812)	(19,812)
Transfer from fixed asset in transit	-	-	-	-	-	53,214	53,214
Translation difference	31,781	2,278,994	63,011	23,926	342,768	38,040	2,778,520
Balance at December 31	**95,595**	**6,871,848**	**189,534**	**166,063**	**2,262,674**	**284,679**	**9,870,393**
Accumulated depreciation							
Balance at January 1	-	394,063	126,523	77,974	1,470,936	129,029	2,198,525
Depreciation charge	-	135,574	-	29,715	206,845	43,185	415,319
Write off	-	-	-	-	-	(19,812)	(19,812)
Translation difference	-	85,951	63,011	15,333	285,706	25,109	475,110
Balance at December 31	**-**	**615,588**	**189,534**	**123,022**	**1,963,487**	**177,511**	**3,069,142**
Net book value at December 31	**95,595**	**6,256,260**	**-**	**43,041**	**299,187**	**107,168**	**6,801,251**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

2018	**Land**	**Building**	**Leasehold**	**Furniture Fixtures**	**Equipment**	**Motor Vehicle**	**Total**
Cost							
Balance at January 1	63,814	4,571	126,523	85,117	1,262,720	118,204	6,227,595
Additions	-	-	-	14,844	151,528	42,226	208,598
Write off	-	-	-	-	(800)	-	(800)
Transfers	-	-	-	-	19,560	-	19,560
Disposals	-	-	-	-	(1,410)	-	(1,410)
Translation difference	16,332	1,169,911	32,381	23,160	338,694	34,167	1,614,645
Balance at December 31	**80,146**	**5,741,128**	**158,904**	**123,121**	**1,770,292**	**194,597**	**8,068,188**
Accumulated depreciation							
Balance at January 1	-	222,338	126,523	44,284	880,510	67,574	1,341,229
Depreciation charge	-	105,080	-	20,459	334,964	40,413	500,916
Disposals	-	-	-	-	(862)	-	(862)
Translation difference	-	66,646	32,381	13,231	256,324	21,042	389,624
Balance at December 31	**-**	**394,064**	**158,904**	**77,974**	**1,470,936**	**129,029**	**2,230,907**
Net book value at December 31	**80,146**	**5,347,064**	**-**	**45,147**	**299,356**	**65,568**	**5,837,281**

23(a) Gain on disposal of property, machinery and equipment	**2019**	**2018**
Cost	-	1,410
Accumulated depreciation	-	(862)
Net book value	-	548
Proceeds from disposal	-	745
Gain on disposal	-	197

There was no indication of impairment of property, machinery and equipment held by the Bank at 31 December 2019 (2018: Nil). None of the property, machinery and equipment of the Bank had been pledged as security for liabilities and there were no restrictions on the title of any of the Bank’s property, machinery and equipment at the reporting date and at the end of the previous year.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

24. Leases

See accounting policy in Note 3.14

(a) Leases as lessee

The Bank leases a number of branch and office premises. These leases typically run for a period of 1 - 15 years, usually with an option to renew the lease after that date. Payments are renogotiated as and when to reflect market rentals. The Bank has elected not to recognise right of use assets and lease liabilities for short term and/or leases of low value items.
Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the Bank is a lessee is presented below:

(i) Right of use assets

Right of use assets relate to leased branch and residential premises that are presented within property, machinery and equipment.

	Building 2019
Balance at 1 January	12,103
Depreciation charge for the year	(8,522)
Additions	9,631
Balance at 31 December	13,212

The future minimum lease payments under noncancellable operating leases that had been prepaid were due as follows:

	2019	**2018**
Maturity analysis		
Less than one year	924	676
Between one and five years	4,622	3,381
More than five years	5,857	4,961
Balance at 31 December	11,403	9,018

(ii) Amounts recognised in profit or loss

	2019
2019 Leases under IFRS 16	
Interest on lease liabilities	640
Expenses relating to short-term leases	-
Expenses relating to leases of low value assets, excluding short term leases of low value assets	-

	2018
2018 Operating leases under IAS 17	
Lease expense	7,780

	2019
Amounts recognised in the statements of cash flows	
Total cash outflows for leases	-

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

24. Leases (cont'd)

Extension options

Some leases of office premises contain extension options exercisable by the Bank up to an average of three (3) years before the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant event or significant changes in circumstances within its control.

25. Currency in circulation

Liberian notes	2019	2018
L$5	317,536	316,036
L$10	797,540	794,040
L$20	1,679,788	1,679,788
L$50	3,695,836	3,675,836
L$100	11,092,753	10,867,753
L$500	4,070,000	3,870,000
Total currency notes	21,653,453	21,203,453
Coins	23,050	23,050
Less:		
Liberian Dollars held by the bank and payment centers (Note 13)	(102,352)	(1,652,106)
Mutes in vault*	(450,390)	(262,413)
	21,123,761	19,311,984

Mutes in vault represent mutilated notes that will not be re circulated and have been marked to be destroyed.
The liability for notes and coins in circulation is the net liability after off-setting notes and coins held by the Bank because cash held by the Bank does not represent currency in circulation.

26. Deposits from commercial banks and forex bureau

	2019	2018
Current accounts - commercial banks	17,880,648	17,407,506
Current accounts - non-commercial banks	35,965	46,195
Collection accounts - failed banks	14,740	1,121
Forex bureau deposits	2,853	2,856
	17,934,206	17,457,678

27. Deposits of GOL and Agencies

Demand deposits - central government	6,177,474	12,670,734
Payable to Government of Liberia	14,318,634	54,514
Demand deposits - individual ministries & agencies	2,031,760	2,798,760
Small medium enterprises deposits	917	922
State-owned deposits	117,726	163,989
	22,646,511	15,688,919

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

28. Amounts due to International Monetary Fund

	2019	2018
IMF SDR allocation	32,260,414	23,466,597
GRA accounts #1 & #2	35,864,276	32,895,511
IMF securities	22,887,635	9,820,238
ECF loan	49,055,019	23,383,875
IMF Rapid Credit Facility Loan - RCF	8,393,827	6,102,757
	148,461,171	95,668,978

General Resource Account (GRA)

The GRA is the principal account of the IMF and handles transactions between the IMF and its membership. The GRA can best be described as a pool of currencies and reserve assets built up from members' fully paid capital subscriptions in the form of quotas.

Balances of the Fund's holdings of member's currency are shown in the Securities account, the No.1 accounts, and the No. 2 account, as well as currency valuation adjustment accounts. These accounts are considered as liabilities maintained in the currency of the IMF member.

This comprises Special Drawing Rights (SDR) currency holdings, which are denominated in Liberian dollars by IMF. Transactions effected under agreement with the Fund are converted to Liberian dollars at an exchange rate applicable on the dates of the respective transactions. Outstanding balances with the Fund are revalued on the basis of a rate ruling at the reporting date. Foreign exchange gains and losses arising from the annual revaluation are posted to General Reserve.

Extended Credit Facility (ECF) loan and interest (Formerly PRGF Loan)

The ECF is a loan obtained by GOL to strengthen the country's balance of payment position, and to foster sustainable growth, leading to higher living standards and reduction in poverty. The first ECF disbursement date of arrangement was November 19, 2012 and expires on November 18, 2015. Following the extension of Liberia program with the IMF up to November 2017, another additional ECF disbursement of US$37.1 million was provided by the Fund. US$17.3 million of this amount was provided to the Government of Liberia as 2017 budget support. The Executive Board of the International Monetary Fund (IMF) approved another four-year arrangement with an amount equivalent to SDR 155 million (equivalent to about US$ 213.6 million) for balance of payment. Out of the amount approved, an amount of SDR 17 million (about US$ 23.4 million) was disbursed in December 2019.

IMF Rapid Credit Facility Loan-RCF

The rapid credit facility was obtained by GOL to support its balance of payment needs. The RCF date of arrangement was February 2015.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

29. Other liabilities

	2019	2018
Accounts payable (i)	4,527,906	2,164,231
Deferred income	14,819	17,312
Payable to GOL	553,143	2,678,457
Provision for legal claims (Note 35)	37,585	-
Payable to foreign banks**	1,980,826	1,556,493
Micro-finance & other institutions	5,764	5,046
Payable to depositors of failed banks	1,869	1,869
Clearing suspense	23,066	4,362,708
Lease liability	11,403	-
Impairment on financial guarantee	2,230,597	2,923
	9,386,978	10,789,039

(i) Accounts payable

	2019	2018
Official checks - CBL	7,742	70,066
Managers' checks - CBL	1,354,596	174,052
Stale checks payable	158,535	135,421
Due to staff	51,036	3,829
Accounts payable	242,835	629,662
Accrued expenses	2,713,162	1,151,201
	4,527,906	2,164,231

**Payable to foreign banks are liabilities that have been in existence for more than 10 years. It comprises of L$0.32 billion payable to United Bank of Switzerland and L$1.54 billion payable to WAMA BCEAO.

30. Market instruments

	2019	2018
Principal	2,119,606	-
Accrued Interest	1,005	-
Gross amount	2,120,611	-

The Central Bank reintroduced CBL Bill halted in 2015. These are securities issued by the Bank to all registered business, and licenced financial institutions within Liberia, as well as the general public. The instrument is issued by the Bank for monetary policy purposes and is shown as a liability of the Bank. The Bills have a maturity period of one year or less.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

31. Provident fund

	2019	2018
At January 1	628,139	414,297
Contributions during the year	259,234	123,473
Interest earned	23,948	11,662
Payments	(72,772)	(17,693)
Exchange difference	123,223	96,400
At December 31	961,772	628,139

Provident Fund is a long-term staff benefit. Staff contributes 5% of their gross salary to the fund and the Bank in addition contributes 5% to the fund for each staff.

A legislative Act, approved on June 6, 1961, "Requiring payment of retirement pensions to employees" added part V, Chapter 26 in the Labor Practices Law to provide for retirement pensions. The last amendment to the Scheme's rules occurred in December 2012. CBL has not established a formal pension scheme, however the provisions under the Labor Practices Act create a defined benefit obligation on CBL to provide post-employment benefits (pensions) for its retiring employees.

The Scheme is a Defined Benefit Scheme which provides for retirement benefits in Liberian dollar (indexed to the US dollar) to retirees until death. An employee is entitled to receive from his/her employment retirement pension on retirement from an undertaking at the age of 60 and if such an employee has completed at least fifteen years of continuous service or he may retire at any age after he/she has completed twenty-five years of continuous service in such undertaking.

The annual pensions payable at retirement of a member from the employment of the Bank represent a percentage (40%) of final five-year average salary, independent of the number of years employed with the bank. Membership is compulsory for eligible employees, and members are required to sign an undertaking to be bound by the conditions and regulations under the scheme. The law states that one-twelfth of the annual amount shall be paid each month from the time of retirement until death of the employee, yet in practice, lump sum payments are made to retiring employees. Because of this practice, currently all scheme participants are in active employment with no members receiving monthly pensions.

In the absence of any high-quality bonds in Liberia, the present value of the defined benefit obligation is determined by discounting the projected cash outflows using the average rates of return on US corporate bonds, since the obligation is quoted in United States dollars.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

32. Retirement benefit obligation

Under the Labor Practices Law the Bank is to provide retirement benefits to its employees on retirement from an undertaking at the age of 60 and if such an employee has completed at least fifteen years of continuous service or retirement at any age if the employee has completed twentyfive years of continuous service in such an undertaking. CBL has not established a formal pension scheme, however the provisions under the Labor Practices Act create a defined benefit obligation on CBL to provide postemployment benefits (pensions) for its retiring employees.

Key assumptions have been made by management in determining the actual liability of the post employment benefits. The liability for postemployment benefits is sensitive to the assumptions made.

In Liberia there is limited data available on which to make actuarial assessments, including the assumptions necessary. In particular details of mortality are not available and there are no longterm securities benchmark discount rates. Furthermore, there is limited experience of staff turnover patterns at CBL. These factors make the actuarial assumptions unusual and uncertain. Management has solicited and received professional actuarial advice in determining the assumptions and the quantum of the liability.

	2019	**2018**
Retirement benefits obligation	2,701,784	2,054,807

The movement in the defined benefit obligation is as follows:

At January 1	2,054,807	1,703,634
Included in profit or loss		
Current service cost	439,408	377,364
Interest cost	131,611	95,786
	571,019	473,150
Included in other comprehensive		
Remeasurement	(298,360)	(514,346)
Other		
Benefit paid	(27,304)	(36,443)
Exchange difference	401,622	428,812
At December 31	2,701,784	2,054,807

The principal actuarial assumptions used were as follows:

	2019	**2018**
Discount rate	5%	5%
Rate of Salary Increase	4%	4%

For mortality assumptions, the 1983 US Sex Distinct Group Annuity Mortality Table (GAM) is the basis for the calculation. The final unisex mortality rate used reflects the 10% margin removed from them and the resulting rates were blended using 95%/5% male-female ratio. The same basis was used in the previous year’s valuation.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

32. Retirement benefit obligation (continued)

Sensitivity analysis

Reasonably possible changes at the reporting date to any of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the following amounts shown below:

The principal actuarial assumptions used were as follows:

	31 December 2019		31 December 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(393,531)	502,085	(303,763)	389,014
Rate of salary increase (1% movement)	149,354	(123,232)	125,144	(104,377)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

33. Equity

(a) Share capital

	2019	2018
Authorized capital	400,000	400,000
Paid-in capital	7,398,587	7,398,587
Subscribed capital	200,000	200,000
	7,598,587	7,598,587

The capital of CBL is owned exclusively by the Government of Liberia. The minimum authorized capital of CBL is L$400 million. The amount may be increased by an amendment to the CBL Act, as shall be proposed by the Board of Governors to the National legislature. The Act requires the Bank to have a minimum paid-up capital of L$100 million. The consideration for the paid-up capital was the net book value of assets and liabilities taken over from National Bank of Liberia on the establishment of CBL. In addition, the GOL subscribed a further US$5 million (L$ equivalent L$200 million) at the establishment of CBL to have it capitalized. The consideration was a series of promissory notes, which matured on April 21 and October 20 each year from 2001 to 2003.

(b) General reserve

This represents the residual cumulative annual profits/(loss).

(c) Translation reserve

Translation reserve comprises all foreign currency differences arising from the translation of the financial statements from their functional currency of US$ into their presentation currency of LR$.

(d) Other reserve

Other reserve comprise the cumulative actuarial gains/losses recognized in the valuation of employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

34. Cash and cash equivalents

	2019	2018
Cash and balances with other central banks (Note 13)	20,725,409	14,015,500
Cash and balances with commercial banks (Note 14)	2,143,968	4,118,455
	22,869,377	18,133,955

35. Contingent liabilities

There were a number of legal proceedings outstanding against the Bank as at 31 December 2019 with contingent liabilities of L$ 3,181 million (2018: L$ 2,164 million). The contingent liabilities above relate to a number of outstanding cases. The disclosure of the individual cases in the financial statements is not practicable. No provision in relation to these claims has been recognised in the financial statements as legal advice indicates that it is not probable that a significant liability will arise. The cases are mainly brought against the Bank in relation to the performance of its functions as a Central Bank, for contracts entered into by the Bank and dissatisfied employees alleging wrongful dismissal.

36. Financial guarantee

The Central Bank issued financial guarantee to LOITA Capital Partners International Limited on behalf of the Government of Liberia in respect of bonds and notes issued to LOITA for an amount of L$9,396 million. The purpose of the notes was to reduce and eliminate the Government’s arrears to the National Social Security and Welfare Corporation (“NASSCORP”) in respect of pension contribution obligation for public sector employees.

The Central Bank also issued another financial guarantee to African Export-Import Bank (“Afrexim”) on behalf of the Ministry of Finance and Development Planning for the benefit of NASSCORP. The amount of L$4,698 million was to enable NASSCORP finance investment in critical areas of the economy.

A financial guarantee of L$4,698 was issued by the Central Bank to Afrexim on behalf of the Ministry of Finance and Development Planning for the benefit of NASSCORP to settle pension arrears owed NASSCORP in keeping with the Government’s financial systems stability objectives.

Another financial guarantee of L$14,218 million was issued by the Central Bank of Liberia to seven (7) local commercial banks on behalf of the Ministry of Finance and Development Planning to settle loan arrears of the Government of Liberia to the local commercial banks.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

37. Related party transactions

CBL is the official depository and fiscal agent of the Government of Liberia, the sole shareholder of the Bank. The Bank performs official banking services for the Government and a number of its agencies. Related party transactions reflected in the Bank's operations are therefore in respect of these banking services, in addition to loans and advances granted to the Government prior to 2003. The following transactions were carried out with related parties:

Interest income earned during the year

	2019	**2018**
Government of Liberia loans and advances (Note 7)	1,460,970	1,665,404
Government of Liberia investment securities (Note 7)	254,727	208,824
	1,715,697	1,874,228
Receivable from related party:		
Due from Government of Liberia - Long-term loan (Note 17)	96,845,375	71,017,908
Payable to related party:		
Due of Government of Liberia and agencies (Note 27)	22,646,511	15,688,919

Governors, Non-Executive Directors and other key management personnel

The following particulars relate to key management personnel including Board of Governors, Executive Governors and Directors, Loans to key management personnel were as follows:

	2019	**2018**
Loan outstanding at January 1	91,428	39,341
Loans granted during period	61,974	65,998
Loans repaid during the period	(33,800)	(30,283)
Exchange difference	17,757	16,372
Loan outstanding at December 31	137,359	91,428
Interest income earned	4,327	964

None of the key management personnel had a material interest, directly or indirectly, at any time during the year in any other significant transaction or arrangement with CBL.

	2019	**2018**
Salaries and short-term benefits	286,529	224,882
Post-employment benefit	395,692	278,856
	682,221	503,738

NOTES TO THE FINANCIAL STATEMENTS
(All amounts are expressed in thousands of Liberian dollars unless otherwise stated)

38. Events after reporting date

On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of a novel coronavirus, which originated in December 2019 in Hubei province, China. The WHO declared the coronavirus outbreak to be a pandemic on 11 March 2020 in recognition of its rapid spread across the globe, with over 150 countries, including Liberia and other African countries, now affected.

The outbreak of COVID-19 and the necessary containment measures, which include travel bans, quarantines and social distancing protocols, have resulted in disruption to business and economic activity globally. At the date of authorization of the financial statements, The Central Bank of Liberia is operating as normal. The COVID-19 outbreak will most likely have an impact on the economy and as a result Expected Credit Loss (ECL) provisions relating to forward looking information will be impacted. The Bank is, however, not able to produce a reliable estimate of the impact at this point. The Bank will continue to closely monitor the spread of COVID-19 and assess its impact on the business.

No other events have occurred since the end of the reporting period that would have had a material effect on the financial statements or require disclosure.